

EXHIBIT 12

SIPA Proceedings

Prepared by

Tori Guilfoyle
Blank Rome LLP

and

Douglas N. Candeub
Morris James LLP

Overview of SIPA and SIPC

Stockbrokers can be liquidated under chapter 7 but they cannot be reorganized under chapter 11. *See* 11 U.S.C. § 109(d); 11 U.S.C. § 741 *et seq.* (stockbroker liquidations).¹ Where a brokerage firm is failing, the likelihood is that its liquidation proceeding will have been commenced in the first instance as a proceeding in a federal district court under the Securities Investor Protection Act of 1970 (“SIPA”) (15 U.S.C. §§ 78aaa *et seq.*). Since such proceedings are then removed to bankruptcy court, they are essentially a hybrid under the Bankruptcy Code and SIPA².

SIPA is considered an amendment to the Securities Exchange Act of 1934, and was enacted to boost public confidence in securities markets by reimbursing customers for losses due to broker failures. SIPA established the Securities Investor Protection Corporation (“SIPC”). SIPC is a nonprofit independent membership corporation that is government sponsored, but is otherwise private, not public. The SEC is responsible for regulating and supervising the activities of SIPC. Most brokers and dealers registered under the Securities Exchange Act are required to become a SIPC member.

SIPC members must pay an “assessment” to SIPC. The assessment is based on each firm’s gross securities generated business. The amount paid as an assessment goes to a SIPC fund, which is similar to an insurance program. SIPC insurance protects the customers’ cash and securities, in case the broker-dealer becomes bankrupt. Any amount advanced in satisfaction of customer claims may not exceed \$500,000 per customer. 15 U.S.C. § 78fff-3(a). If part of the claim is for cash, the total amount advanced for cash payment may not exceed \$250,000. 15 U.S.C. § 78fff-3(a)(1). Some firms purchase private insurance to increase investor’s coverage even beyond these limits. It is important to note that SIPC does not protect investors from any losses due to market conditions.

¹ Commodities brokers can also be liquidated under Chapter 7. 11 U.S.C. § 761 *et seq.* (commodity broker liquidations). Commodities brokers are regulated by the Commodity Futures Trading Commission, under the Commodity Exchange Act, 7 U.S.C. 1a, *et seq.* The authority of that Commission is not parallel to that of SIPC, and it does not include filing actions to place registered brokers into bankruptcy. The federal regulations under the Commodity Exchange Act pertaining to the bankruptcy of a commodities broker are within Title 17 (Commodity and Securities Exchange), Part 190 (bankruptcy), and can be found at <http://www.ecfr.gov/>.

² Pertinent excerpts from SIPA are attached hereto.

SIPA Liquidations

When a brokerage firm fails, SIPC has the authority to step in. In certain situations, SIPC may elect to bypass liquidation proceedings and instead use a “direct payment procedure” for the customers of a SIPC member that has failed or is in danger of failing to meet its obligations to its customers. The preconditions for SIPC to use this procedure include, but are not limited to, the following: (i) the claims of all customers must aggregate less than \$250,000; and (ii) the cost to SIPC of satisfying customer claims by direct payments will be less than the cost under a liquidation proceeding. 15 U.S.C. § 78fff-4(a). If direct payment is utilized, the entire process occurs outside of the courts and remains essentially a transaction between SIPC and the failed brokerage firm’s customers.

Where direct payment is not possible, SIPC initiates a SIPA proceeding by applying for a protective decree with a federal district court.³ If the court issues a protective decree, then the court will appoint a SIPC-designated trustee and attorney for the trustee.⁴ Upon the issuance of a protective decree and appointment of a trustee, or a trustee and counsel, the district court will order the removal of the entire liquidation proceeding to the bankruptcy court in the same judicial district. A SIPA liquidation proceeding is removed to the bankruptcy court as an adversary proceeding for liquidation. No filing or removal fee is charged and there is no related bankruptcy case number. Although SIPA proceedings are not bankruptcy “cases”, chapters 1, 3, and 5, and subchapters I and II of chapter 7 of the Bankruptcy Code are applicable in SIPA proceedings, as long as they are not inconsistent with SIPA. 15 U.S.C. § 78fff(b). Noticing requirements are performed by the SIPA trustee, not the clerk of the bankruptcy court. The United States Trustee plays no role in a SIPA liquidation proceeding. Fed.R.Bankr.P. 2002(k).

By way of example, see the attached exhibits: (1) the application filed by SIPC in the District Court for the Southern District of New York (the “District Court”) that commenced the Bernard L. Madoff Investment Securities LLC (“BMIS”) liquidation (Exhibit A); (2) the order issued by the District Court granting SIPC’s application for appointment of a SIPA trustee for the BMIS liquidation and directing removal of that action to the Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) (Exhibit B); and (3) the order issued by the Bankruptcy Court extending the automatic stay to all BMIS creditors (Exhibit C).

A SIPA proceeding focuses on protecting the customers, not the creditors, of the broker being liquidated. As set forth in SIPA section 78fff(a), “[t]he purposes of a liquidation proceeding under this chapter shall be—

³ Pursuant to section 742 of the Bankruptcy Code, the filing of an application for a protective decree under SIPA stays a brokerage firm’s Chapter 7 case. If SIPC completes the liquidation of the brokerage firm, then the Chapter 7 case will be dismissed. If SIPC does not file an application for a protective decree or if the district court denies SIPC’s application, then the brokerage firm may be liquidated under chapter 7 of the Bankruptcy Code.

⁴ Under 15 U.S.C. §78eee(b)(3), if a protective decree is entered, the court must appoint “as trustee for the liquidation of the business of the debtor and as attorney for the trustee, such persons as SIPC, in its sole discretion, specifies.” The statute further allows that the “persons appointed as trustee and as attorney for the trustee may be associated with the same firm.” *Id.*

(1) as promptly as possible after the appointment of a trustee in such liquidation proceeding, and in accordance with the provisions of this chapter—

(A) to deliver customer name securities to or on behalf of the customers of the debtor entitled thereto . . .; and

(B) to distribute customer property and (in advance thereof or concurrently therewith) otherwise satisfy net equity claims of customers to the extent provided in this section;

(2) to sell or transfer offices and other productive units of the business of the debtor;

(3) to enforce rights of subrogation [of SIPC]...; and

(4) to liquidate the business of the debtor.

15 U.S.C. § 78fff(a).

Where a broker is in liquidation, the likelihood is that all the property gathered by the trustee will be, or will be treated as, “customer property”, and will accordingly be used either to satisfy customer claims or repay SIPC for advances it made to pay customer claims.

A. Powers and Duties of the SIPA Trustee

The powers and duties of the trustee in a SIPA case are similar to those vested in a chapter 7 trustee appointed under the Bankruptcy Code. A SIPA trustee must identify and then recover assets to maximize the amount available for distribution as “customer property” and, if there is excess above the “net equity” claims of customers, then for the benefit of general creditors.⁵ A SIPA trustee can commence avoidance actions under chapter 5 of the Bankruptcy Code. Additionally, a SIPA trustee has a duty to conduct investigations concerning the acts, conduct, property, liabilities and financial condition of a failed brokerage firm, the operation of its business, and all other matters relevant to the liquidation proceeding. A SIPA trustee files with the bankruptcy court (i) interim reports to provide updates on recoveries, resolution of claims and other matters and (ii) a final report to that will include a final accounting.

A SIPA trustee, however, does not need to obtain court approval before taking certain actions. For example, a trustee may, with the approval of SIPC but without any need for court approval: (1) hire and fix the compensation of all personnel (including officers and employees of the debtor and of its examining authority) and other persons (including accountants) that are deemed by the trustee to be necessary for all or any purposes of the liquidation proceeding; (2) utilize SIPC employees for all or any purposes of a liquidation proceeding; and (3) margin and maintain customer accounts of the debtor . . .” 15 U.S.C. § 78fff-1(a).

⁵ The definitions of “customer property” and “net equity” in section 741 of the Bankruptcy Code parallel SIPA’s definitions of those terms. Similarly, the priority accorded to customers and the return to them of their ratable interest in customer property based on their net equity claims, set forth in section 752 of the Bankruptcy Code, parallels other provisions in SIPA. In other words, customers of a broker are accorded priority treatment both under SIPA and under subchapter III of chapter 7 of the Bankruptcy Code.

B. Customer Claims

In SIPA cases, there is a strong focus on getting the property of investing customers back to them as promptly as possible.

SIPA provides for “prompt payment and satisfaction of net equity claims of customers” of the broker-debtor by requiring SIPC to “advance to the trustee such moneys, not to exceed \$500,000 for each customer.” If part of the customer’s claim is “a claim for cash, as distinct from a claim for securities or options on commodity futures contracts,” then the amount to be advanced by SIPC for each such claim should not exceed \$250,000 (a figure that is to be adjusted for inflation). 11 U.S.C. §78fff-3(a). SIPC is entitled to be repaid on account of any such advance by the trustee if the trustee later recovers debtor funds.

In addition, a SIPA trustee will promptly return to customers any “customer name securities”⁶ to those customers, unless the customer has a negative net equity. See also 11 U.S.C. §751.

In a SIPA liquidation, a bar date is set for both customer claims and claims of general creditors of the debtor. By statute, the bar date for customer claims and creditor claims in a SIPA proceeding is six months from the date of the trustee’s publication of the notice of the pendency of the proceeding. 15 U.S.C. § 78fff-2(a)(3). SIPA trustees encourage customers seeking SIPC protection to file their claims using a special customer claim form, which asks for details on the securities in the customer’s account, dates of trades, and other information. See, e.g., Exhibit D (sample SIPC claim form used in the Lehman Brothers SIPA liquidation). However, while SIPA requires a “written statement of a claim”, it also provides that the customer “need not file a formal proof of claim.” 15 U.S.C. § 78fff-2(a)(2).

In a SIPA liquidation, the claim form is filed with the SIPA trustee, rather than with the clerk of the bankruptcy court. If the customer’s account has not already been transferred to a solvent brokerage firm, a customer with an allowed claim will receive back the securities that were held in their account at the failed brokerage firm, together with any cash held, up to the SIPC protection limits. Under the applicable provisions of both SIPA and the Bankruptcy Code, claims of insiders are subordinated.

⁶ “Customer name securities” are a typically limited group of securities held by a brokerage firm that are literally registered with the issuer in the customer’s name, such as an actual stock certificate registered in and bearing the customer’s own name. Most securities, however, are registered in “street name,” with the actual legal owner being Cede & Co., the Depository Trust Corporation’s nominee name. Each brokerage has its own Depository Trust Corporation (“DTC”) participant account holding the securities for all of its customers, and the brokerage in turn keeps records of which customer owns which securities in the DTC account. “Street name securities” are far easier to trade than “customer name securities” because the trade can be accomplished via DTC instead of having to make a physical transfer of a stock certificate.

Other Differences between a SIPA Liquidation and a Chapter 7 Case

There are other differences between a Chapter 7 case and a SIPA liquidation. For example, while SIPA specifies that the bankruptcy court must grant reasonable compensation for the services and expenses of the trustee and the attorney for the trustee similar to compensation provided to a chapter 7 trustee and his professionals, in the event the debtor's estate does not have sufficient funds to cover these administrative expenses, SIPC advances the necessary funds from its reserve. 15 U.S.C. § 78eee(b)(5)(E). Although SIPC must file a report with the bankruptcy court indicating whether it approves of the fees and expenses requested, the fact that administrative insolvency is not an issue in SIPA proceedings may cause the SIPA trustee and his professionals to not consider the costs of certain actions.

Another difference may be the applicability of Bankruptcy Code sections 502(d) and 502(h) in SIPA proceedings. In an early ruling in the BMIS liquidation proceeding, the Bankruptcy Court denied the request of some parties for an exception to the six-month claims bar date to allow for the potential filing of section 502(h) claims by avoidance action defendants. The Bankruptcy Court denied the request and noted that the movants were free to file protective proofs of claim for claims that have not yet accrued. As to section 502(d), various parties in the BMIS proceeding have argued that section 502(d) does not apply in SIPA proceedings, but the Bankruptcy Court has not ruled on the issue yet.

Another important difference between the two types of liquidation proceedings involves the way in which they are administered. A SIPA trustee is required to distribute securities, to the extent possible, to customers in satisfaction of their claims. This in turn means that, under SIPA, a trustee may purchase securities to satisfy claims. This stands in contrast to the obligations of a trustee in a standard chapter 7 case, who must liquidate securities in order to distribute cash to customers and creditors. Specifically, under the Bankruptcy Code, the Chapter 7 trustee is charged with converting all "street name" securities to cash as quickly as possible. Section 748 of the Bankruptcy Code states as follows:

As soon as practicable after the date of the order for relief, the trustee shall reduce to money, consistent with good market practice, all securities held as property of the estate, except for customer name securities delivered or reclaimed under section 751 of this title.

11 U.S.C. § 748 (emphasis added). Subject to certain exceptions, in Chapter 7, customers receive a pro rata share of the proceeds from the sale of the securities, not the securities themselves. The only securities not sold are "customer name securities," which are handed back to their owners.

Under SIPA, the customer will receive securities whenever possible. Instead of immediately selling the securities, a SIPA trustee works to return to customers the securities in their accounts, often through a transfer of the accounts to a financially healthy brokerage firm. If a SIPA trustee is unable to transfer the accounts, the SIPA trustee has the authority to purchase securities to replace any that were missing, tapping into SIPC's reserve fund when necessary to cover the acquisition costs. Again, a chapter 7 trustee lacks this resource. If securities are missing or the

SIPA trustee is otherwise unable to return a customer's "street name" securities, then the brokerage firm's remaining customer assets are divided up and funds are distributed on a pro rata basis based on the total size of "net equity claims" of customers (generally, net of any margin loans owed by the customer). As in a Chapter 7, "customer name securities" are returned to the customer, including those in the process of being registered in the customer's name.

The Madoff Ponzi Scheme

On December 11, 2008, Bernard Madoff was arrested by the FBI and criminally charged with a multi-billion-dollar securities fraud scheme. Madoff's fraudulent scheme defrauded customers of approximately \$20 billion.

On December 15, 2008, the District Court entered an order commencing the BMIS liquidation and granting SIPC's application for issuance of a protective decree adjudicating that the customers of BMIS were in need of the protection afforded by SIPA. *See* Exhibits A and B. As part of that order, Irving H. Picard was appointed SIPA Trustee for the liquidation proceeding of BMIS (the "BMIS Trustee") and BakerHostetler was appointed counsel to the BMIS Trustee. *See* Exhibit B. The case was removed to the Bankruptcy Court. *Id.*

According to the BMIS Trustee's website (<http://www.madofftrustee.com>), as of February 13, 2013, the BMIS Trustee has taken the following actions:

- The BMIS Trustee has recovered or entered into agreements to recover approximately \$9.317 billion; 100% of the recoveries will ultimately be allocated to the Customer Fund for distribution to BMIS customers with allowed claims.
- The BMIS Trustee has advanced or distributed approximately \$4.932 billion to BMIS customers with allowed claims. In addition, the BMIS Trustee has worked with SIPC to pay the maximum SIPC advance of up to \$500,000 against each allowed BMIS claim, and to date, SIPC has committed approximately \$806.7 million in advances to these customers. If approved, following the third pro rata interim distribution, customers with allowed claims will have received at least 42.867% of the amount of the allowed claims, unless the claims have been fully satisfied.
- The BMIS Trustee has continued working to hold entities, such as feeder funds⁷, sophisticated investors and major banks, that knew or "should have known" a fraud was underway, accountable for their actions.
- The BMIS Trustee initiated and continued to administer a successful Hardship Program, which has to date provided relief to 441 BMIS accountholders suffering proven hardship.

A number of the developments in the BMIS case are noteworthy. First, several months after the SIPA liquidation proceeding was commenced, an involuntary chapter 7 bankruptcy case

⁷ "Feeder funds" were the accounting firms and investment groups that, by way of investment "advice," forwarded their customers to BMIS, providing a steady stream of new clients for Madoff's Ponzi scheme.

was commenced against Bernard Madoff individually. The BMIS Trustee then worked out an arrangement, approved by the Bankruptcy Court, for the consolidation of the two proceedings. A copy of the Bankruptcy Court's order approving the consolidation is attached as Exhibit E.

A second issue involves the determination of the BMIS customers' "net equity". This issue arose as a result of Madoff's Ponzi scheme. While the standard net equity calculation uses the value of the securities held for the customers at the time of the commencement of the SIPA proceeding, in the BMIS case, the BMIS Trustee found that all the customer statements reflecting the securities allegedly held in the customers' respective accounts were fabricated. No securities had been purchased for the customers' accounts. Accordingly, the BMIS Trustee determined that the only fair way to calculate each customer's net equity was to disregard the statements sent to customers that purported to reflect their securities holdings, and, instead, to base the net equity calculation on "money in and money out", *i.e.*, money sent in by the customer for investment, minus any cash distributions to the customers.⁸ This approach was approved by the Bankruptcy Court, and, on appeal, by the United States Court of Appeals for the Second Circuit (the "Second Circuit"). A copy of the Second Circuit's opinion is attached as Exhibit F.

Finally, *Stern v. Marshall*, 131 S. Ct. 2594, 180 L. Ed. 2d 475 (2011), has been raised in certain of the fraudulent transfer actions that were filed by the BMIS Trustee. In an opinion dated January 4, 2013, the District Court addressed whether *Stern* prohibits the Bankruptcy Court from issuing a final ruling on a fraudulent transfer claim. A copy of the District Court's January 4, 2013 opinion is attached as Exhibit G. The District Court explained as follows:

[A]lthough *Stern* precludes the Bankruptcy Court from finally deciding avoidance actions (unless, possibly, the Trustee has sought to disallow a claim to the estate under § 502(d)), the Bankruptcy Court nonetheless has the power to hear the matter in the first instance and recommend proposed findings of fact and conclusions of law. The Court further declines to withdraw the reference of these cases to the Bankruptcy Court 'for cause shown' before the Bankruptcy Court has issued appropriate findings of fact and conclusions of law.

See Exhibit G at p. 23. Based on this opinion, the Bankruptcy Court will try the fraudulent transfer cases and issue proposed findings of fact and conclusions of law, but not judgments. The District Court will then review the Bankruptcy Court's conclusions and enter judgments accordingly.

⁸ A related issue was raised in connection with the net equity calculation. Some parties have argued that this "money in and money out" approach should take into account an inflation factor, based on the length of time that elapsed from the date a customer's money was invested with BMIS to the date it was distributed back to the customer. The BMIS Trustee has opposed taking inflation into account, on grounds that it is not supported by the statute or as a matter of equity between customers. This issue has not yet been ruled upon by the Bankruptcy Court.

SIPA EXCERPTS

§78eee. PROTECTION OF CUSTOMERS

...

(b) COURT ACTION

(1) ISSUANCE OF PROTECTIVE DECREE

Upon receipt of an application by SIPC under subsection (a)(3) of this section, the court shall forthwith issue a protective decree if the debtor consents thereto, if the debtor fails to contest such application, or if the court finds that such debtor—

(A) is insolvent within the meaning of section 101 of title 11, or is unable to meet its obligations as they mature;

(B) is the subject of a proceeding pending in any court or before any agency of the United States or any State in which a receiver, trustee, or liquidator for such debtor has been appointed;

(C) is not in compliance with applicable requirements under the 1934 Act [15 U.S.C. 78a et seq.] or rules of the Commission or any self-regulatory organization with respect to financial responsibility or hypothecation of customers' securities; or

(D) is unable to make such computations as may be necessary to establish compliance with such financial responsibility or hypothecation rules.

Unless the debtor consents to the issuance of a protective decree, the application shall be heard three business days after the date on which it is filed, or at such other time as the court shall determine, taking into consideration the urgency which the circumstances require.

(2) JURISDICTION AND POWERS OF COURT

(A) EXCLUSIVE JURISDICTION

Upon the filing of an application with a court for a protective decree with respect to a debtor, such court—

(i) shall have exclusive jurisdiction of such debtor and its property wherever located (including property located outside the territorial limits of such court and property held by any other person as security for a debt or subject to a lien);

(ii) shall have exclusive jurisdiction of any suit against the trustee with respect to a liquidation proceeding; and

(iii) except as inconsistent with the provisions of this chapter, shall have the jurisdiction, powers, and duties conferred upon a court of the United States having jurisdiction over cases under title 11, together with such other jurisdiction, powers, and duties as are prescribed by this chapter.

(B) STAY OF PENDING ACTIONS

Pending the issuance of a protective decree under paragraph (1), the court with which an application has been filed—

(i) shall stay any pending bankruptcy, mortgage foreclosure, equity receivership, or other proceeding to reorganize, conserve, or liquidate the debtor or its property and any other suit against any receiver, conservator, or trustee of the debtor or its property, and shall continue such stay upon appointment of a trustee pursuant to paragraph (3);

(ii) may stay any proceeding to enforce a lien against property of the debtor or any other suit against the debtor, including a suit by stockholders of the debtor which interferes with prosecution by the trustee of claims against former directors, officers, or employees of the debtor, and may continue such stay upon appointment of a trustee pursuant to paragraph (3);

(iii) may stay enforcement of, and upon appointment of a trustee pursuant to paragraph (3), may continue the stay for such period of time as may be appropriate, but shall not abrogate any right of setoff, except to the extent such right may be affected under section 553 of title 11, and shall not abrogate the right to enforce a valid, nonpreferential lien or pledge against the property of the debtor; and

(iv) may appoint a temporary receiver.

...

(3) APPOINTMENT OF TRUSTEE AND ATTORNEY

If the court issues a protective decree under paragraph (1), such court shall forthwith appoint, as trustee for the liquidation of the business of the debtor and as attorney for the trustee, such persons as SIPC, in its sole discretion, specifies. The persons appointed as trustee and as attorney for the trustee may be associated with the same firm. SIPC may, in its sole discretion, specify itself or one of its employees as trustee in any case in which SIPC has determined that the liabilities of the debtor to unsecured general creditors and to subordinated lenders appear to aggregate less than \$750,000 and that there appear to be fewer than five hundred customers of such debtor. No person may be appointed to serve as trustee or attorney for the trustee if such person is not disinterested within the meaning of paragraph (6), except that for any specified purpose other than to represent a trustee in conducting a liquidation proceeding, the trustee may, with the approval of SIPC and the court, employ an attorney who is not disinterested. . . .

(4) REMOVAL TO BANKRUPTCY COURT

Upon the issuance of a protective decree and appointment of a trustee, or a trustee and counsel, under this section, the court shall forthwith order the removal of the entire liquidation proceeding to the court of the United States in the same judicial district having jurisdiction over cases under title 11. The latter court shall thereupon have all of the jurisdiction, powers, and duties conferred by this chapter upon the court to which application for the issuance of the protective decree was made.

78fff. GENERAL PROVISIONS OF A LIQUIDATION PROCEEDING

(a) PURPOSES

The purposes of a liquidation proceeding under this chapter shall be—

(1) as promptly as possible after the appointment of a trustee in such liquidation proceeding, and in accordance with the provisions of this chapter—

(A) to deliver customer name securities to or on behalf of the customers of the debtor entitled thereto as provided in section 78fff-2(c)(2) of this title; and

(B) to distribute customer property and (in advance thereof or concurrently therewith) otherwise satisfy net equity claims of customers to the extent provided in this section;

(2) to sell or transfer offices and other productive units of the business of the debtor;

(3) to enforce rights of subrogation as provided in this chapter; and

(4) to liquidate the business of the debtor.

(b) APPLICATION OF TITLE 11

To the extent consistent with the provisions of this chapter, a liquidation proceeding shall be conducted in accordance with, and as though it were being conducted under chapters 1, 3, and 5 and subchapters I and II of chapter 7 of title 11. For the purposes of applying such title in carrying out this section, a reference in such title to the date of the filing of the petition shall be deemed to be a reference to the filing date under this chapter.

...

(c) COSTS AND EXPENSES OF ADMINISTRATION

All costs and expenses of administration of the estate of the debtor and of the liquidation proceeding shall be borne by the general estate of the debtor to the extent it is sufficient therefor, and the priorities of distribution from the general estate shall be as provided in section 726 of title 11. Costs and expenses of administration shall include payments pursuant to section 78fff-2(e) of this title and section 78fff-3(c)(1) of this title (to the extent such payments recovered securities which were apportioned to the general estate pursuant to subsection (d) of this section) and costs and expenses of SIPC employees utilized by the trustee pursuant to section 78fff-1(a)(2) of this title. All funds advanced by SIPC to a trustee for such costs and expenses of administration shall be recouped from the general estate under section 507(a)(2) of title 11.

...

§78fff-1. POWERS AND DUTIES OF A TRUSTEE

(a) TRUSTEE POWERS

A trustee shall be vested with the same powers and title with respect to the debtor and the property of the debtor, including the same rights to avoid preferences, as a trustee in a case under title 11. In addition, a trustee may, with the approval of SIPC but without any need for court approval—

- (1) hire and fix the compensation of all personnel (including officers and employees of the debtor and of its examining authority) and other persons (including accountants) that are deemed by the trustee necessary for all or any purposes of the liquidation proceeding;
- (2) utilize SIPC employees for all or any purposes of a liquidation proceeding; and
- (3) margin and maintain customer accounts of the debtor for the purposes of section 78fff-2(f) of this title.

(b) TRUSTEE DUTIES

To the extent consistent with the provisions of this chapter or as otherwise ordered by the court, a trustee shall be subject to the same duties as a trustee in a case under chapter 7 of title 11, including, if the debtor is a commodity broker, as defined under section 101 of such title, the duties specified in subchapter IV of such chapter 7, except that a trustee may, but shall have no duty to, reduce to money any securities constituting customer property or in the general estate of the debtor. In addition, the trustee shall—

- (1) deliver securities to or on behalf of customers to the maximum extent practicable in satisfaction of customer claims for securities of the same class and series of an issuer; . . .

. . .

(d) INVESTIGATIONS

The trustee shall—

- (1) as soon as practicable, investigate the acts, conduct, property, liabilities, and financial condition of the debtor, the operation of its business, and any other matter, to the extent relevant to the liquidation proceeding, and report thereon to the court;
- (2) examine, by deposition or otherwise, the directors and officers of the debtor and any other witnesses concerning any of the matters referred to in paragraph (1);
- (3) report to the court any facts ascertained by the trustee with respect to fraud, misconduct, mismanagement, and irregularities, and to any causes of action available to the estate; and
- (4) as soon as practicable, prepare and submit, to SIPC and such other persons as the court designates and in such form and manner as the court directs, a statement of his investigation of matters referred to in paragraph (1).

§78fff-2. SPECIAL PROVISIONS OF A LIQUIDATION PROCEEDING

(a) NOTICE AND CLAIMS

(1) NOTICE OF PROCEEDINGS

Promptly after the appointment of the trustee, such trustee shall cause notice of the commencement of proceedings under this section to be published in one or more newspapers of general circulation in the form and manner determined by the court, and at the same time shall cause a copy of such notice to be mailed to each person who, from the books and records of the debtor, appears to have been a customer of the debtor with an open account within the past twelve months, to the address of such person as it appears from the books and records of the debtor. Notice to creditors other than customers shall be given in the manner prescribed by title 11, except that such notice shall be given by the trustee.

(2) STATEMENT OF CLAIM

A customer shall file with the trustee a written statement of claim but need not file a formal proof of claim,

(3) TIME LIMITATIONS

No claim of a customer or other creditor of the debtor which is received by the trustee after the expiration of the six-month period beginning on the date of publication of notice under paragraph (1) shall be allowed, except that the court may, upon application within such period and for cause shown, grant a reasonable, fixed extension of time for the filing of a claim by the United States, by a State or political subdivision thereof, or by an infant or incompetent person without a guardian. . . .

(b) PAYMENTS TO CUSTOMERS

After receipt of a written statement of claim pursuant to subsection (a)(2), of this section, the trustee shall promptly discharge, in accordance with the provisions of this section, all obligations of the debtor to a customer relating to, or net equity claims based upon, securities or cash, by the delivery of securities or the making of payments to or for the account of such customer (subject to the provisions of subsection (d) of this section and section 78fff-3(a) of this title) insofar as such obligations are ascertainable from the books and records of the debtor or are otherwise established to the satisfaction of the trustee. For purposes of distributing securities to customers, all securities shall be valued as of the close of business on the filing date. For purposes of this subsection, the court shall, among other things—

- (1) with respect to net equity claims, authorize the trustee to satisfy claims out of moneys made available to the trustee by SIPC notwithstanding the fact that there has not been any showing or determination that there are sufficient funds of the debtor available to satisfy such claims; and
- (2) with respect to claims relating to, or net equities based upon, securities of a class and series of an issuer which are ascertainable from the books and records of the debtor or are otherwise established to the satisfaction of the trustee, authorize the trustee to deliver securities of such class and series if and to the extent available to satisfy such claims in whole or in part, with partial deliveries to be made pro rata to the greatest extent considered practicable by the trustee.

(c) CUSTOMER RELATED PROPERTY

(1) ALLOCATION OF CUSTOMER PROPERTY

The trustee shall allocate customer property of the debtor as follows:

(A) first, to SIPC in repayment of advances made by SIPC pursuant to section 78fff-3(c)(1) of this title, to the extent such advances recovered securities which were apportioned to customer property pursuant to section 78fff(d) of this title;

(B) second, to customers of such debtor, who shall share ratably in such customer property on the basis and to the extent of their respective net equities;

(C) third, to SIPC as subrogee for the claims of customers;

(D) fourth, to SIPC in repayment of advances made by SIPC pursuant to section 78fff-3(c)(2) of this title.

....

(3) RECOVERY OF TRANSFERS

Whenever customer property is not sufficient to pay in full the claims set forth in subparagraphs (A) through (D) of paragraph (1), the trustee may recover any property transferred by the debtor which, except for such transfer, would have been customer property if and to the extent that such transfer is voidable or void under the provisions of title 11. Such recovered property shall be treated as customer property. For purposes of such recovery, the property so transferred shall be deemed to have been the property of the debtor and, if such transfer was made to a customer or for his benefit, such customer shall be deemed to have been a creditor, the laws of any State to the contrary notwithstanding.

....

§78fff-3. SIPC ADVANCES

(a) ADVANCES FOR CUSTOMERS' CLAIMS

In order to provide for prompt payment and satisfaction of net equity claims of customers of the debtor, SIPC shall advance to the trustee such moneys, not to exceed \$500,000 for each customer, as may be required to pay or otherwise satisfy claims for the amount by which the net equity of each customer exceeds his ratable share of customer property, except that—

- (1) if all or any portion of the net equity claim of a customer in excess of his ratable share of customer property is a claim for cash, as distinct from a claim for securities or options on commodity futures contracts, the amount advanced to satisfy such claim for cash shall not exceed the standard maximum cash advance amount for each such customer, as determined in accordance with subsection (d);

...

- (3) if all or any portion of the net equity claim of a customer in excess of his ratable share of customer property is satisfied by the delivery of securities purchased by the trustee pursuant to section 78fff-2(d) of this title, the securities so purchased shall be valued as of the filing date for purposes of applying the dollar limitations of this subsection;

- (4) no advance shall be made by SIPC to the trustee to pay or otherwise satisfy, directly or indirectly, any net equity claim of a customer who is a general partner, officer, or director of the debtor, a beneficial owner of five per centum or more of any class of equity security of the debtor (other than a nonconvertible stock having fixed preferential dividend and liquidation rights), a limited partner with a participation of five per centum or more in the net assets or net profits of the debtor, or a person who, directly or indirectly and through agreement or otherwise, exercised or had the power to exercise a controlling influence over the management or policies of the debtor;

...

(d) STANDARD MAXIMUM CASH ADVANCE AMOUNT DEFINED

For purposes of this section, the term 'standard maximum cash advance amount' means \$250,000, as such amount may be adjusted after December 31, 2010, as provided under subsection (e) [inflation adjustment].

EXHIBIT 13

4/2/03 FILED
MICHAEL K. JEANES, Clerk
By *K. B. [illegible]*
Deputy

CERTIFIED COPY

ARIZONA CORPORATION COMMISSION

Wendy Coy, #013195
1300 West Washington, 3rd Floor
Phoenix, Arizona 85007
Attorney for Plaintiff
Telephone: (602) 542-0633
Fax: (602) 594-7418

STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

ARIZONA CORPORATION COMMISSION

Plaintiff

v.

AMERICAN NATIONAL MORTGAGE

PARTNERS, L.L.C., an Arizona limited liability
company, individually and as trustee of 1230 Pine
Road Trust dated July 21, 2002, 1256 Rand Ave
Trust dated September 11, 2002, 2725 E. Thomas
Road Trust dated November 14, 2002, 2801
Wayzata Blvd Trust dated September 13, 2002,
35824 N. Secluded Lane Trust dated June 21, 2002,
36th Street & Oak Trust dated Nov. 8, 2002, 4330
N. 5th Street Trust dated October 24, 2002, 506
Stoning Circle Trust dated July 26, 2002, 630 E.
Mullan Avenue Trust dated August 29, 2002, 8301
Creeside Circle Trust dated August 22, 2002, 8744
E. Oak Street Trust dated June 19, 2002, Lot 14
Copper Canyon Trust dated May 8, 2002, San
Miguel Trust dated September 20, 2002, SECURA
INNOVATIVE INVESTMENT, INC., an Arizona
corporation, SECURA MORTGAGE
MANAGEMENT, L.L.C., an Arizona limited
liability company, individually and as trustee of 67th
Street Trust dated July 5, 2002, CASH FLOW
UNIVERSITY, INC., an Arizona corporation,
SECURA FUND ARIZONA, L.L.C., an Arizona
limited liability company, CORPORATE
MANAGEMENT SOLUTIONS, INC., an Arizona
corporation, individually and as trustee of 5505 E.
San Miguel Trust dated May 17, 2002, Lot 14
Copper Canyon Trust dated May 18, 2002,

No. CV2003 005724

ORDER APPOINTING RECEIVER

- 1 72. DEER VALLEY TRUST II L.L.C., an Arizona limited liability company
- 2 73. MEDINA PROPERTIES, L.L.C., an Arizona limited liability company
- 3 74. SOUTH BONITA L.L.C., an Arizona limited liability company
- 4 75. T. LUNGARO L.L.C., an Arizona limited liability company
- 5 76. CORPORATE WAREHOUSE L.L.C., an Arizona limited liability company
- 6 77. DV PARTNERS L.L.C., an Arizona limited liability company
- 7 78. FLYNN JACKSON PARTNERS L.L.C., an Arizona limited liability company
- 8 79. NORTH DOBSON-SCOTTSDALE L.L.C., an Arizona limited liability company
- 9 80. HUDSON PARK L.L.C., an Arizona limited liability company
- 10 81. HUDSON VALLEY L.L.C., an Arizona limited liability company
- 11 82. HUDSON-HYDE PARK L.L.C., an Arizona limited liability company
- 12 83. SIXTY-SEVENTH STREET L.L.C., an Arizona limited liability company
- 13 84. FOREST AVENUE L.L.C., an unknown limited liability company
- 14 85. 3303 OHIO PPROPERTY L.L.C., an Arizona limited liability company
- 15 86. CAMELBACK 300 L.L.C., an Arizona limited liability company
- 16 87. WATERSTONE APARTMENTS L.L.C., an Arizona limited liability company
- 17 88. FCG PARTNERS L.L.C., an Arizona limited liability company
- 18 89. AMSTERDAM L.L.C., an Arizona limited liability company
- 19 90. PROFIT-I L.L.C., an Arizona limited liability company
- 20 91. FLYNN JACKSON PROPERTIES L.L.C., an unknown limited liability company
- 21 92. FOREST GLOBAL L.L.C., an unknown limited liability company
- 22 93. LAS SENDAS MOUNTAIN L.L.C., an unknown limited liability company
- 23 94. OMAHA PROPERTY L.L.C., an unknown limited liability company
- 24 95. JOSHUA LANE LENDERS, L.L.C., an unknown limited liability company
- 25 96. NT CREEKSIDE L.L.C., an Arizona limited liability company
- 26 97. I-10 INVESTORS L.L.C., an Arizona limited liability company

- 1 50. Clearwater Mines Trust dated February 12, 2002
- 2 51. Deer Valley/26th Ave. Trust dated unknown
- 3 52. High Chaparral Trust dated March 11, 2002
- 4 53. R.L. Wickman Trust dated January 31, 2002
- 5 54. 35824 N. SECLUDED LANE L.L.C., an Arizona limited liability company
- 6 55. AMSTERDAM LENDERS L.L.C., an Arizona limited liability company
- 7 56. CAMELBACK STONE CANYON L.L.C., an Arizona limited liability company
- 8 57. CASTLE ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability
- 9 company
- 10 58. COLONIAL VILLAGE L.L.C., an Arizona limited liability company
- 11 59. FCG LENDERS L.L.C., an Arizona limited liability company
- 12 60. FLYNN JACKSON PREMIUM PORTFOLIO L.L.C., an Arizona limited liability
- 13 company
- 14 61. FLYNN JACKSON SECOND PORTFOLIO L.L.C., an Arizona limited liability
- 15 company
- 16 62. MEGASTORE ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability
- 17 company
- 18 63. NORMANDALE TOWER L.L.C., an Arizona limited liability company
- 19 64. NORTH SECLUDED LANE L.L.C., an Arizona limited liability company
- 20 65. OAK COMMONS L.L.C., an Arizona limited liability company
- 21 66. THOMAS TOWNHOMES L.L.C., an Arizona limited liability company
- 22 67. WBMM L.L.C., an Arizona limited liability company
- 23 68. ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability company
- 24 69. TRAPPER CREEK L.L.C., an Arizona limited liability company
- 25 70. ATLAS MINE L.L.C., an Arizona limited liability company
- 26 71. BB/CAREFREE L.L.C., an Arizona limited liability company

- 1 24. Roosevelt Street Trust dated April 30, 2002
- 2 25. GUARANTY PERFORMANCE, INC., an Arizona corporation
- 3 26. CREATIVE FINANCIAL FUNDING, L.L.C., an Arizona limited liability company
- 4 27. 8802 N. Black Canyon Hwy Trust dated unknown
- 5 28. AMERICAN MONEY POWER, INC. dba MONEY POWER, an Arizona corporation
- 6 29. FEDERAL CAPITAL, L.L.C., an Arizona limited liability company
- 7 30. CORPORATE FIDUCIAL SERVICES, INC., a Nevada corporation
- 8 31. The Federal Way Building L.L.C. dated January 27, 2000
- 9 32. Progress Drive Trust dated August 21, 2000
- 10 33. 222 N. 44th Street Trust dated August 31, 2001
- 11 34. 36050 N. 58th Street Trust dated unknown
- 12 35. 522 N. Columbia Center Blvd. Trust dated February 22, 2001
- 13 36. 7102 W. Roosevelt Trust dated July unknown, 2001
- 14 37. 9815 S.W. Capital Hwy Trust dated June 24, 2001
- 15 38. The 300 East Camelback Road Trust dated June 1, 2000
- 16 39. Deer Valley Trust dated September 20, 2000
- 17 40. The Silverdale Building Trust dated 06/27/2000
- 18 41. 11324 E. Sprague Ave. Trust dated unknown
- 19 42. 36050 N. 58th Street Trust dated unknown
- 20 43. 7848 E. Copper Canyon Street Trust dated September 19, 2002
- 21 44. Amsterdam 350 Trust dated August 16, 2002,
- 22 45. 24003 N. Dobson Trust dated April 22, 2002
- 23 46. Flynn-Jackson Properties Trust dated 4/30/02
- 24 47. Roosevelt Street Trust dated April 30, 2002
- 25 48. Camelback 300 Trust dated February 11, 2002
- 26 49. 3303 Medina Road Trust dated March 15, 2002

EXHIBIT "A"

1. American National Mortgage Partners L.L.C. (pending dismissal in Bankruptcy Court)
2. 1230 Pine Road Trust dated July 21, 2002
3. 1256 Rand Ave Trust dated September 11, 2002
4. 2725 E. Thomas Road Trust dated November 14, 2002
5. 2801 Wayzata Blvd Trust dated September 13, 2002
6. 35824 N. Secluded Lane Trust dated June 21, 2002
7. 36th Street & Oak Trust dated Nov. 8, 2002
8. 4330 N. 5th Street Trust dated October 24, 2002
9. 506 Stoning Circle Trust dated July 26, 2002
10. 630 E. Mullan Avenue Trust dated August 29, 2002
11. 8301 Creekside Circle Trust dated August 22, 2002
12. 8744 E. Oak Street Trust dated June 19, 2002
13. Lot 14 Copper Canyon Trust dated May 8, 2002
14. San Miguel Trust dated September 20, 2002
15. SECURA INNOVATIVE INVESTMENT, INC., an Arizona corporation
16. SECURA MORTGAGE MANAGEMENT, L.L.C., an Arizona limited liability
company
17. 67th Street Trust dated July 5, 2002
18. CASH FLOW UNIVERSITY, INC., an Arizona corporation
19. SECURA FUND ARIZONA, L.L.C., an Arizona limited liability company
20. CORPORATE MANAGEMENT SOLUTIONS, INC., an Arizona corporation
21. 5505 E. San Miguel Trust dated May 17, 2002
22. Lot 14 Copper Canyon Trust dated May 18, 2002
23. Northwest Fir Properties dated May 17, 2002

1 authorized to change any locks or other security mechanisms with respect to any premises or other
2 assets that constitute Receivership Assets.


3 21. The Receiver shall keep the ACC apprised at reasonable intervals of developments
4 concerning the operation of the receivership, and shall provide to the ACC upon request any
5 documents under the control of the Receiver.

6 22. The Receiver shall seek and obtain the approval of this Court prior to disbursement
7 of professional fees and expenses to himself or counsel, by presentation of a written application
8 therefor and after consultation with the ACC. All costs incurred by the Receiver shall be paid from
9 the Receivership Assets.


10 IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this action for all
11 purposes. The Receiver is hereby authorized, empowered and directed to apply to this Court, with
12 notice to the ACC and Defendants, for issuance of such other orders as may be necessary and
13 appropriate in order to carry out the mandate of this Court.

14 IT IS FURTHER ORDERED that this Order will remain in effect until modified by further
15 order of this Court.

16 DONE IN OPEN COURT this 2 day of April, 2003.

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Honorable J. RICHARD JAMS
Judge of the Superior Court

The foregoing instrument is a full, true and correct
copy of the original on file in this office.

Attest April 2 2003 
MICHAEL K. JEANES, Clerk of the Superior Court of
the State of Arizona, in and for the County of Maricopa.

By R. Ball Deputy

1 16. The Receiver is hereby authorized to employ such employees, accountants, and
2 attorneys as are necessary and proper for the collection, preservation and maintenance of the
3 Receivership Assets.

4 17. The Receiver is hereby authorized and directed to receive and collect any and all
5 sums of money due or owing to the Receivership Defendants, whether the same are now due or
6 shall hereafter become due and payable, and is authorized to incur such reasonable expenses and
7 make such disbursements as are necessary and proper for the collection, preservation, maintenance
8 and operation of the Receivership Assets.

9 18. The Receiver is hereby authorized to institute, defend, compromise or adjust such
10 actions or proceedings in state or federal courts now pending and hereafter instituted, as may in his
11 discretion be advisable or proper for the protection of the Receivership Assets or proceeds
12 therefrom, and to institute, prosecute, compromise or adjust such actions or proceedings in state or
13 federal court as may in his judgment be necessary or proper for the collection, preservation and
14 maintenance of the Receivership Assets.

15 19. The Receiver is hereby authorized to institute such actions or proceedings to impose
16 a constructive trust, obtain possession and/or recover judgment with respect to persons or entities
17 who received assets or funds traceable to investor monies. All such actions shall be filed in this
18 Court.
19

20 20. Upon the request of the Receiver, any peace officer of this State is authorized and
21 directed to assist the Receiver in carrying out his duties to take possession, custody or control of, or
22 identify the location of, any Receivership Assets. The Receiver is authorized to remove any person
23 from any premises or real estate constituting a Receivership Asset that attempts to interfere with
24 the Receiver, his attorneys or agents in the performance of their duties. The Receiver is further
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- 1 b. Accelerating the due date of any obligation or claimed obligation; filing or
2 enforcing any lien; taking or attempting to take possession, custody, or control of
3 any asset; attempting to foreclose, forfeit, alter, or terminate any interest in any
4 asset, whether such acts are part of a judicial proceeding, are acts of self-help, or
5 otherwise;
- 6 c. Executing, issuing, serving, or causing the execution, issuance or service of, any
7 legal process, including, but not limited to, attachments, garnishments, subpoenas,
8 writs of replevin, writs of execution, or any other form of process whether specified
9 in this Order or not; or
- 10 d. Doing any act or thing whatsoever to interfere with the Receiver taking custody,
11 control, possession, or management of the assets or documents subject to this
12 receivership, or to harass or interfere with the Receiver in any way, or to interfere in
13 any manner with the exclusive jurisdiction of this Court over the assets or
14 documents of the Receivership Defendants.

15 14. Except as otherwise provided in this Order, all persons and entities in need of
16 documentation from the Receiver shall in all instances first attempt to secure such information by
17 submitting a formal written request to the Receiver, and, if such request has not been responded to
18 within fifteen (15) days of receipt by the Receiver, any such person or entity may thereafter seek an
19 Order of this Court with regard to the relief requested.

20 15. The Receivership Defendants will have access to the business records, including
21 copies of computer records, of the Receivership Defendants upon twenty-four (24) hour notice to
22 the Receiver and under the receivers' supervision. The Receivership Defendants will not remove
23 the business records from the Receiver.
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1 shall have the authority to make such surrender conditional upon the waiver of any deficiency of
2 collateral. Furthermore, the Receiver is authorized to renew, cancel, terminate, or otherwise adjust
3 any pending lease agreements to which the Receivership Defendants are a party.

4 11. The Receiver is hereby directed to prevent the inequitable distribution of assets and
5 determine, adjust, and protect the interests of persons with an interest in or claim against the
6 Receivership Assets.

7 12. The Receiver is hereby directed to file with this Court and serve upon the parties,
8 within 30 days after entry of this Order, a preliminary report setting out the identity, location and
9 value of the Receivership Assets, and any liabilities pertaining thereto. Further, at the time the
10 Receiver makes such report, he shall recommend to the Court whether, in his opinion, based on his
11 initial investigation, claims against Defendants, should be adjudged in the Bankruptcy Court. After
12 providing the parties an opportunity to be heard, this Court will determine whether to accept the
13 Receiver's recommendation and, if appropriate, issue an order authorizing the Receiver to
14 commence a bankruptcy proceeding.

15 13. Except by leave of this Court, during pendency of the Receivership ordered herein,
16 the Defendants, and all other persons and entities be and hereby are stayed from taking any action
17 to establish or enforce any claim, right, or interest for, against, on behalf of, in, or in the name of,
18 any of the Receivership Defendants, any of their subsidiaries, affiliates, partnerships, assets,
19 documents, or the Receiver or the Receiver's duly authorized agents acting in their capacities as
20 such, including, but not limited to, the following actions:

- 21 a. Commencing, prosecuting, continuing, entering, or enforcing any suit or
22 proceeding, except that such actions may be filed to toll any applicable statute of
23 limitations;
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1 owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by,
2 the Receivership Defendants, or the Receiver.

3 7. All banks, broker-dealers, savings and loans, escrow agents, title companies,
4 commodity trading companies, or other financial institutions shall cooperate with all reasonable
5 requests of the Receiver relating to implementation of this Order, including transferring funds at
6 his direction and producing records related to the assets of the Receivership Defendants.

7 8. The Receiver is hereby authorized to make appropriate notification to the United
8 States Postal Service to forward delivery of any mail addressed to the Receivership Defendants,
9 any company or entity under the direction or control of any of the Receivership Defendants, to any
10 Post Office box or other mail depository, to himself. Further, the Receiver is hereby authorized to
11 open and inspect all such mail, to determine the location or identity of assets or the existence and
12 amount of claims.

13 9. The Receiver is hereby authorized to open one or more bank accounts with financial
14 institutions insured by an agency of the United States. The Receiver shall Deposit all Receivership
15 Assets in such designated accounts and shall make all payments and disbursements from the
16 Receivership Assets from such accounts. The Receiver shall be responsible, to the best of his
17 ability, to collect and allocate the loan proceeds, both principal and interest, and to make land
18 payments to the lenders.

19 10. The Receiver is hereby authorized to make such ordinary and necessary payments,
20 distributions, and disbursements as he deems advisable or proper for the marshaling, maintenance
21 or preservation of the Receivership Assets. The Receiver shall have the authority to contact and
22 negotiate with any creditors of the Receivership Defendants, for the purpose of compromising or
23 settling any claim. To this purpose, in those instances in which Receivership Assets serve as
24 collateral to secured creditors, the Receiver may surrender such assets to secured creditors, and
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1 any one or more of them and shall promptly surrender all books and records of any kind pertaining
2 or belonging to the Receivership Defendants.

3 4. The Defendants shall fully cooperate with and assist the Receiver, which shall
4 include, but not be limited to, providing information to the Receiver that the Receiver deems
5 necessary to exercising the authority and discharging the responsibilities of the Receiver under this
6 Order; providing any password required to access any computer, electronic file, or telephonic data
7 in any medium; advising all persons who owe money to the Receivership Defendants that all debts
8 should be paid directly to the Receiver; and provide to the Receiver all keys and codes necessary to
9 gain or to secure access to any Receivership Assets or Receivership Records.

10 5. All persons, including Defendants and their officers, agents, servants, employees,
11 attorneys, and all persons in active concert or participation with them, who receive actual notice of
12 this Order by personal service or otherwise, are enjoined from in any way interfering with the
13 operation of the Receivership or in any way disturbing the Receivership Assets and from filing or
14 prosecuting any actions or proceedings which involve the Receiver or which affect the
15 Receivership Assets, specifically including any proceeding initiated pursuant to the United States
16 Bankruptcy Code, except with the prior permission of this Court. Any actions so authorized to
17 determine disputes relating to Receivership Assets shall be filed in this Court.

18 6. All Defendants are hereby restrained and enjoined from directly or indirectly
19 destroying, secreting, defacing, transferring or otherwise altering or disposing of any documents of
20 the Defendants, including, but not limited to, books, records, accounts, writings, drawings, graphs,
21 charts, photographs, audio and video recordings, computer records and other data compilations,
22 electronically stored records, or any other papers of any kind or nature. Defendants are also
23 restrained and enjoined from excusing debts owed to the Defendants or transferring, receiving,
24 altering selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets
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1 Plaintiff the Arizona Corporation Commission ("ACC") having filed a Verified Complaint
2 and an Application for Appointment of a Receiver for the Defendants listed in Exhibit "A"
3 attached hereto (collectively "Receivership Defendants"), the Court finds, based upon the papers
4 filed by the ACC, that this Order Appointing Receiver is both necessary and appropriate in order to
5 prevent waste and dissipation of the assets of the Receivership Defendants to the detriment of
6 investors.

7 IT IS THEREFORE ORDERED:

8 1. This Court hereby takes exclusive jurisdiction and possession of the assets, monies,
9 securities, choses in action, and properties, real and personal, tangible and intangible, of whatever
10 kind and description, wherever situated, of the Receivership Defendants, (hereinafter,
11 "Receivership Assets").
12

13 2. James C. Sell located at 6328 N. 181st Avenue, Waddell, Arizona 85355, with the
14 phone number of 623.853.1196, facsimile number 623.853.1132, is appointed Receiver for the
15 Receivership Assets. The Receiver shall file with the Clerk of this Court a bond in the sum of
16 \$500,000, without need for sureties approved by the Court, to assure his conscientious performance
17 of the duties and responsibilities imposed by this Order. The Receiver is hereby authorized to take
18 and have possession and control of the Receivership Assets. Until further order of this Court, the
19 Receiver shall have complete and exclusive control, possession, and custody of all Receivership
20 Assets. The Receiver shall be the agent of the court and shall be accountable directly to this Court.
21

22 3. All persons, including Defendants and their officers, agents, servants, employees,
23 attorneys, and all persons in active concert or participation with them who receive actual notice of
24 this Order by personal service or otherwise, and specifically including any bank or other financial
25 or depository institution holding accounts for or on behalf of the Receivership Defendants, shall
26 promptly deliver to the Receiver all Receivership Assets in the possession or under the control of

1 limited liability company, DV PARTNERS
2 L.L.C., an Arizona limited liability company,
3 FLYNN JACKSON PARTNERS L.L.C., an
4 Arizona limited liability company, NORTH
5 DOBSON-SCOTTSDALE L.L.C., an Arizona
6 limited liability company, HUDSON PARK
7 L.L.C., an Arizona limited liability company,
8 HUDSON VALLEY L.L.C., an Arizona limited
9 liability company, HUDSON-HYDE PARK
10 L.L.C., an Arizona limited liability company,
11 SIXTY-SEVENTH STREET L.L.C., an Arizona
12 limited liability company, FOREST AVENUE
13 L.L.C., an unknown limited liability company,
14 3303 OHIO PPROPERTY L.L.C., an Arizona
15 limited liability company, CAMELBACK 300
16 L.L.C., an Arizona limited liability company,
17 WATERSTONE APARTMENTS L.L.C., an
18 Arizona limited liability company, FCG
19 PARTNERS L.L.C., an Arizona limited liability
20 company, AMSTERDAM L.L.C., an Arizona
21 limited liability company, PROFIT-I L.L.C., an
22 Arizona limited liability company, FLYNN
23 JACKSON PROPERTIES L.L.C., an unknown
24 limited liability company, FOREST GLOBAL
25 L.L.C., an unknown limited liability company,
26 LAS SENDAS MOUNTAIN L.L.C., an unknown
limited liability company, OMAHA PROPERTY
L.L.C., an unknown limited liability company,
JOSHUA LANE LENDERS, L.L.C., an unknown
limited liability company, NT CREEKSIDE
L.L.C., an Arizona limited liability company, I-10
INVESTORS L.L.C., an Arizona limited liability
company, MONEY POWER L.L.C., an Arizona
limited liability company

WESTERN + GULF, INC., a Louisiana
corporation, BOAT BED & BREAKFAST
L.L.C., an Arizona limited liability company,
SHE LA VIA COSMETICS, INC., an Arizona
corporation

JOHN AND JANE DOES 1-50, ABC
CORPORATIONS, 1-50, XYZ LIMITED
LIABILITY COMPANIES 1-50

Defendants.

1 12, 2002, Deer Valley/26th Ave. Trust dated)
unknown, High Chaparral Trust dated March 11,)
2 2002, and R.L. Wickman Trust dated January 31,)
3 2002; SUSAN RUTLEDGE AND JOHN DOE)
RUTLEDGE, husband and wife;)

4 35824 N. SECLUDED LANE L.L.C., an Arizona)
limited liability company, AMSTERDAM)
5 LENDERS L.L.C., an Arizona limited liability)
company, ASHTON GLEN APARTMENTS)
6 L.L.C., an Arizona limited liability company,)
7 CAMELBACK STONE CANYON L.L.C., an)
Arizona limited liability company, CASTLE)
8 ROOSEVELT WAREHOUSE L.L.C., an Arizona)
limited liability company, COLONIAL)
9 VILLAGE L.L.C., an Arizona limited liability)
company, FCG LENDERS L.L.C., an Arizona)
10 limited liability company, FLYNN JACKSON)
PREMIUM PORTFOLIO L.L.C., an Arizona)
11 limited liability company, FLYNN JACKSON)
SECOND PORTFOLIO L.L.C., an Arizona)
12 limited liability company, MEGASTORE)
ROOSEVELT WAREHOUSE L.L.C., an Arizona)
13 limited liability company, NORMANDALE)
14 TOWER L.L.C., an Arizona limited liability)
company, NORTH SECLUDED LANE L.L.C.,)
15 an Arizona limited liability company, OAK)
COMMONS L.L.C., an Arizona limited liability)
16 company, SAN MIGUEL LENDERS L.L.C., an)
Arizona limited liability company, THOMAS)
17 TOWNHOMES L.L.C., an Arizona limited)
liability company, WBMM L.L.C., an Arizona)
18 limited liability company, ROOSEVELT)
WAREHOUSE L.L.C., an Arizona limited)
19 liability company, TRAPPER CREEK L.L.C., an)
Arizona limited liability company, ATLAS MINE)
20 L.L.C., an Arizona limited liability company,)
BB/CAREFREE L.L.C., an Arizona limited)
21 liability company, DEER VALLEY TRUST II)
22 L.L.C., an Arizona limited liability company,)
FRIENDS INVESTORS L.L.C., an Arizona)
23 limited liability company, MEDINA)
24 PROPERTIES, L.L.C., an Arizona limited)
liability company, SOUTH BONITA L.L.C., an)
25 Arizona limited liability company, T. LUNGARO)
L.L.C., an Arizona limited liability company,)
26 CORPORATE WAREHOUSE L.L.C., an Arizona)

Northwest Fir Properties dated May 17, 2002,
 Roosevelt Street Trust dated April 30, 2002,
 GUARANTY PERFORMANCE, INC., an Arizona
 corporation, ANMP 74TH STREET, L.L.C., an
 Arizona limited liability company, CREATIVE
 FINANCIAL FUNDING, L.L.C., an Arizona
 limited liability company, individually and as
 trustee of 8802 N. Black Canyon Hwy Trust dated
 unknown, AMERICAN MONEY POWER, INC.
 dba MONEY POWER, an Arizona corporation,
 FEDERAL CAPITAL, L.L.C., an Arizona limited
 liability company, and CORPORATE FIDUCIAL
 SERVICES, INC., a Nevada corporation,
 individually and as trustee of The Federal Way
 Building L.L.C. dated January 27, 2000, Progress
 Drive Trust dated August 21, 2000, 222 N. 44th
 Street Trust dated August 31, 2001, 36050 N. 58th
 Street Trust dated unknown, 522 N. Columbia
 Center Blvd. Trust dated February 22, 2001, 7102
 W. Roosevelt Trust dated July unknown, 2001,
 9815 S.W. Capital Hwy Trust dated June 24, 2001,
 The 300 East Camelback Road Trust dated June 1,
 2000, Deer Valley Trust dated September 20, 2000,
 The Silverdale Building Trust dated 06/27/2000,
 BLACK CORPORATION 1-50 as trustee of 11324
 E. Sprague Ave. Trust dated unknown, 36050 N.
 58th Street Trust dated unknown, 7848 E. Copper
 Canyon Street Trust dated September 19, 2002,
 Amsterdam 350 Trust dated August 16, 2002,
 LARRY WILLIAM DUNNING and SHEILA
 DUNNING, husband and wife, PHIL VIGARINO
 and JANE DOE VIGARINO, husband and wife,
 ROBERT K. REHM, MARK KESLER and JANE
 DOE KESLER, FRANK CASPARE and GAIL
 CASPARE, husband and wife, PAUL MEKA
 AND CAROL MEKA, husband and wife,
 individually and as trustee of 24003 N. Dobson
 Trust dated April 22, 2002, Flynn-Jackson
 Properties Trust dated 4/30/02, and Roosevelt
 Street Trust dated April 30, 2002, ERIC
 STRASSER, as trustee of Camelback 300 Trust
 dated February 11, 2002, DAVID STOCKER
 AND KARYN STOCKER; husband and wife, as
 trustee of 3303 Medina Road Trust dated March
 15, 2002, Clearwater Mines Trust dated February

- 1 98. MONEY POWER L.L.C., an Arizona limited liability company
- 2 99. WESTERN + GULF, INC., a Louisiana corporation
- 3 100. BOAT BED & BREAKFAST L.L.C., an Arizona limited liability company
- 4 101. SHE LA VIA COSMETICS, INC., an Arizona corporation
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JAMES C. SELL, Receiver
American National Mortgage Partners, LLC and Related Entities
2222 E. Camelback Road, Suite 110
Phoenix, Arizona 85016
(602) 265-3519
FAX (602) 265-3622
Web Site: www.forensic-cpa.com
eMail: jsellsprint@earthlink.net

JAMES C. SELL, as Receiver for AMERICAN NATIONAL MORTGAGE PARTNERS, LLC, and Related Entities, and as Assignee of Creditors, Investors, Shareholders, Members, Partners and Trusts of the Receivership Entities and as trustee of: 11324 E. Sprague Ave Trust dated unknown; 1230 Pine Road Trust dated July 21, 2002; 1256 Rand Ave Trust dated September 11, 2002; 222 N. 44th Street Trust dated August 31, 2001; 24003 N. Dobson Trust dated April 22, 2002; 2725 E. Thomas Road Trust dated November 14, 2002; 2801 Wayzata Blvd Trust dated September 13, 2002; 3303 Medina Road Trust dated March 15, 2002; 3303 Ohio Property LLC, an Arizona limited liability company; 35824 N. Secluded Lane Trust dated June 21, 2002; 35824 N. Secluded Lane LLC, an Arizona limited liability company; 36050 N. 58th Street Trust dated unknown; 36th Street & Oak Trust dated November 8, 2002; 4330 N. 5th Street Trust dated October 24, 2002; 506 Stoning Circle Trust dated July 26, 2002; 522 N. Columbia Center Blvd. Trust dated February 22, 2001; 5505 E. San Miguel Trust dated May 17, 2002; 630 E. Mullan Avenue Trust dated August 29, 2002; 67th Street Trust dated July 5, 2002; 7102 W. Roosevelt Trust dated July unknown, 2001; 7848 E. Copper Canyon Street Trust dated September 19, 2002; 8301 Creekside Circle Trust dated August 22, 2002; 8744 E. Oak Street Trust dated June 19, 2002; 8802 N. Black Canyon Hwy Trust dated unknown; 9815 S.W. Capital Hwy Trust dated June 24, 2001; 998 E. Indian School Trust dated September 22, 1999; American Money Power, Inc. dba Money Power, an Arizona corporation; Amsterdam 350 Trust dated August 16, 2002; Amsterdam Lenders LLC, an Arizona limited liability company; Amsterdam LLC, an Arizona limited liability company; ANMP 74th St. LLC; Atlas Mine LLC, an Arizona limited liability company; Bb/Carefree LLC, an Arizona limited liability

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Receiver's Interim Report

company; Boat Bed & Breakfast LLC, an Arizona limited liability company; Boat, Bed and Breakfast, LLC Trust dated November 8, 2000 aka Bed, Boat and Breakfast, LLC dated November 8, 2000; Camelback 300 LLC, an Arizona limited liability company; Camelback 300 Trust dated February 11, 2002; Camelback Stone Canyon LLC, an Arizona limited liability company; Cash Flow University, Inc., an Arizona corporation; Castle Roosevelt Warehouse LLC, an Arizona limited liability company; Clearwater Mines Trust dated February 12, 2002; Colonial Village LLC, an Arizona limited liability company; Corporate Fiducial Services, Inc., a Nevada corporation; Corporate Management Solutions, Inc., an Arizona corporation; Corporate Warehouse LLC, an Arizona limited liability company; Creative Financial Funding LLC, an Arizona limited liability company; Deer Valley Trust dated September 20, 2000; Deer Valley Trust II LLC, an Arizona limited liability company; Deer Valley/26th Ave. Trust dated unknown; DV Partners LLC, an Arizona limited liability company; FCG Lenders LLC, an Arizona limited liability company; FCG Partners LLC, an Arizona limited liability company; Federal Capital LLC, an Arizona limited liability company; FJ Properties LLC, an Arizona limited liability company; Flynn Jackson Partners LLC, an Arizona limited liability company; Flynn Jackson Premium Portfolio LLC, an Arizona limited liability company; Flynn Jackson Properties LLC, an unknown limited liability company; Flynn Jackson Second Portfolio LLC, an Arizona limited liability company; Flynn-Jackson Properties Trust dated April 30, 2002; Forest Avenue LLC, an unknown limited liability company; Forest Global LLC, an unknown limited liability company; Guaranty Performance, Inc., an Arizona corporation; High Chaparral Trust dated March 11, 2002; Hudson Park LLC, an Arizona limited liability company; Hudson-Hyde Park LLC, an Arizona limited liability company; Hudson Valley LLC, an Arizona limited liability company; I-10 Investors LLC, an Arizona limited liability company; Joshua Lane Lenders LLC, an unknown limited liability company; Las Sendas Mountain LLC, an unknown limited liability company; Lot 14 Copper Canyon Trust dated May 18, 2002; Lot 14 Copper Canyon Trust dated May 8, 2002; Lot 68 Mystic Hills Property Trust dated May 22, 2002; Medina Properties LLC, an Arizona limited liability company; Megastore Roosevelt Warehouse LLC, an Arizona limited liability company; Money Power LLC, an Arizona limited

liability company; Normandale Tower LLC, an Arizona limited liability company; North Dobson-Scottsdale LLC, an Arizona limited liability company; North Secluded Lane LLC, an Arizona limited liability company; Northwest Fir Properties dated May 17, 2002; NP Investments, Inc., a Nevada corporation; NT Creekside LLC, an Arizona limited liability company; Oak Commons LLC, an Arizona limited liability company; Omaha Property LLC, an unknown limited liability company; Pontchartrain Realty Fund LLC, a Louisiana corporation; Pontchartrain Realty Fund, Inc., a Nevada corporation; Pontchartrain Realty Fund, Inc., an Arizona limited liability company; Profit-I LLC, an Arizona limited liability company; Progress Drive Trust dated August 21, 2000; R.L. Wickman Trust dated January 31, 2002; Roosevelt Street Trust dated April 30, 2002; Roosevelt Warehouse LLC, an Arizona limited liability company; San Miguel Trust dated September 20, 2002; Secura Fund Arizona LLC, an Arizona limited liability company; Secura Innovative Investments, Inc., an Arizona corporation; Secura Mortgage Management, LLC, an Arizona limited liability company; She La Via Cosmetics, Inc., an Arizona corporation; Sixty-Seventh Street LLC, an Arizona limited liability company; South Bonita LLC, an Arizona limited liability company; T. Lungaro LLC, an Arizona limited liability company; The 300 Acacia Drive Trust dated January 18, 2000; The 300 East Camelback Road Trust dated June 1, 2000; The Federal Way Building LLC dated January 27, 2000; The Silverdale Building Trust dated June 27, 2000; Thomas Townhomes LLC, an Arizona limited liability company; Trapper Creek LLC, an Arizona limited liability company; United Equity Holdings, Inc., an Arizona corporation; Waterstone Apartments LLC, an Arizona limited liability company; WBMM LLC, an Arizona limited liability company; and Western + Gulf Capital, Inc., a Louisiana corporation

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RECEIVERSHIP ENTITIES

American National Mortgage Partners, LLC and Related Entities Receivership (American National) was a sophisticated Ponzi scheme. The Receivership estate is comprised of 112 interrelated entities. There are 16 management entities. The remaining 96 entities are comprised of investor Trusts and Limited Liability Companies that were organized, managed and controlled by one or more of the management entities. The management entities shared common control and operational attributes. Because of the commonality of control and operational attributes they are collectively referred to as American National in the following overview discussion of their business model. The following is a list of the American National management entities:

Company Name	Abbreviation	Business Type	Start	Receiver
She-La-Vie Cosmetics, Inc.	SLVC	Management Company	08/13/93	02/25/03
Western Gulf Capital, Inc.	WGC	Management Company	10/31/97	04/02/03
NP Investments, Inc.	NPI	Management Company	11/23/98	02/25/03
Corporate Fiducial Services, Inc.	CFS	Management Company	11/10/99	02/25/03
Pontchartrain Realty Fund, LLC	PRF	Management Company	01/07/00	02/25/03
Creative Financial Funding LLC (Valley Fin)	CFF	Mortgage Broker	02/11/00	02/25/03
American Money Power, Inc.	AMP	Investment Entities	02/02/01	02/25/03
Boat, Bed & Breakfast LLC	BBB	Investment Entities	05/30/01	04/02/03
Federal Capital LLC	FC	Investment Entities	08/21/01	04/02/03
American National Mortgage Partners LLC	ANMP	Mortgage Banker	01/03/02	02/25/03
Secura Innovative Investment, Inc.	SII	Management Company	01/22/02	02/25/03
Secura Mortgage Management, LLC	SMM	Mortgage Banker	01/30/02	02/25/03
Cash Flow University, Inc.	CFU	Management Company	02/11/02	04/02/03
Corporate Management Solutions, Inc.	CMS	Management Company	02/11/02	02/25/03
Guaranty Performance, Inc.	GP	Management Company	02/11/02	04/02/03
Secura Fund Arizona, LLC	SFA	Investment Entities	03/11/02	02/25/03

THE PLAYERS

American National was primarily controlled by **Larry Dunning, Frank Caspare, Eric Strasser and Robert Rehm**. Other individuals, including but not limited to David Stocker, Darrell Coulter, Marshall Boyce, Gregory Harrington, Herb Fisher, Shelia Dunning, Phil Vigarino, Mark Kessler and Paul Meka provided substantial assistance to and enhanced the degree of control the primary individuals were able to exert over the origination, operation and cover up of the American National Ponzi scheme. Based on the Receiver's interviews with the primary and secondary control individuals, as well as former employees of American National and its investors, no material transaction occurred without Larry Dunning's approval. Throughout the history of American National, Larry Dunning, despite his prior felony conviction for loan fraud, attempted to create a government regulated, publicly financed, "hard money lending" empire.

Because of their prior felony convictions, Larry Dunning, Eric Strasser and Gregory Harrington could not obtain banking or securities licenses in their own names. Undeterred, they used a series of willing "fronts" to obtain the necessary licenses to operate American National. For the period that records were available, the pattern of conduct of the control group consistently treated the American National entities and the investor entities as though they were one functional entity.

If the government attacked and successfully shut down one American National entity, the primary control group would form a new entity to take its place. The names changed but the primary control group and their mode of conduct remained the same. The substance of many transactions radically differed from their form. Often they would ignore or alter previously created fictitious documents to satisfy current needs. **Since all the entities were operated as one amorphous entity and controlled by the primary group, money was moved from where it was to where it was needed without regard to legal form or function.** Since the primary control group exercised total control over all aspects of all entities, documents could be and were created, misrepresented and/or altered to fit the circumstances as the need arose.

The following American National management matrix clearly shows the overlapping roles of the members of the "management team". Despite Larry Dunning's efforts to stay in the background, his need to control and compartmentalize transactions precluded him from working entirely from the shadows.

	COMPANY ABBREVIATION															
	ANMP	CFF	CFU	CFS	CMS	GP	PRF	SII	SMM	WGC	NPI	SLVC	AMP	BBB	FC	SFA
DIRECTOR'S & OFFICERS																
Barreras, Michael				X												
Barton, Mary				X												
Baxter, Douglas				X	X				X							
Boyce, Marshall		X					X									
Brader, Robert		X														
Caspare, Frank	X	X					X						X			
Caspare, William											X					
Coulter, Darrell								X								X
Cozza, Mary													X			
Dunning, Larry			X	X						X	X		X	X		
Dunning, Shelia												X				
Hartze, Helen	X	X		X					X	X						
Meka, Paul					X								X			
Morley, Holley												X				
Palomino, Cheri				X												
Pontchartrain Realty Fund		X														
Rehm, Robert		X		X			X	X			X		X			X
Rutledge, Susan	X	X		X	X											
Sanchez, Rebecca	X															
Secura Innovative Invest.									X							
Secura Mortgage Mgmt.																X
Stocker, David			X	X	X	X		X					X			X
Strasser, Eric	X				X			X	X							X
Tanet, Ronald	X							X	X	X						X
Vigarino, Phil													X			
Walen, Dan		X														
Western+Gulf Capital															X	
Weule, Kim		X								X						

RIPE FOR THE AMERICAN NATIONAL PONZI SCHEME

The past several years we have seen interest rates on certificates of deposit; money market funds and bonds decline significantly. Individuals on fixed incomes that relied on a stable interest yield on their savings to maintain their standard of living have experienced significant declines in their income due to the decline in interest rates. The typical American National investor is at, near or past retirement age. The money they invested was from accumulated savings and represents nonreplaceable savings. Many American National investors had impaired earning

capacity due to age or medical condition. As a consequence, they lacked the ability to generate new savings. In an effort to maintain their standard of living they either had to reenter the work force, liquidate principal or “reach for yield” on their investments. American National appeared to offer a solution for the investors to increase the yield on their savings.

It was an opportune time for the Ponzi scheme. American National offered investors a high interest rate of return on an investment vehicle American National represented to be secured by real estate. American National claimed to have never missed a principal or interest payment to investors. American National offered an exotic fail safe mechanism, the Illinois Land Trust. American National claimed to occupy a market niche ignored or rejected by the institutional lending industry (small commercial loans and adult entertainment industry).

COMMON ATTRIBUTES OF A PONZI SCHEME

- Little or no economic substance to purported business enterprise.
- Promises of high returns with little or no risk.
- Misrepresentation of security and safety of principal.
- Claims of special competitive advantage, exotic product, secret process and/or performance guarantees.
- Claims of an unblemished track record of high investor returns and return of principal.
- Representations of government or industry guardian approval.
- Endorsements by industry professionals.
- Investor testimonials either real or manufactured. If real, the early investors received the return at the expense of later investors. The true nature of the return is not disclosed to the recipient investors or to prospective investors.
- The aura of professional attestations. The use of favorable legal and/or accounting opinions.
- Use of new investor funds or diverted funds to pay promised returns to previous investors. The return to the investors is not generated from the purported business enterprise.
- Use of “Creative Accounting” or other artificial devices to disguise the lack of economic substance and/or to defer the recognition of economic losses.
- Constantly accelerating need for funds.
- Accumulation of unresolved adverse economic events.

REPRESENTATIONS MADE BY AMERICAN NATIONAL TO INVESTORS

- a. American National was an Arizona State Banking Department licensed Mortgage Broker/Banker.
- b. American National advertised short term, high yield, first position and junior notes and deeds of trust secured by real estate.
- c. American National claimed to be filling a niche in the lending market created by the demise of the Savings and Loan industry and for a variety of reasons the loans were outside the lending parameters of the large financial institutions.

- d. American National claimed to have what amounted to a “Secret Process” (Illinois Land Trust) that would provide a competitive advantage over other “Hard Money” lenders in the event a borrower failed to perform.
- e. American National claimed that no investor ever lost money on their investments with American National or any of its predecessors.
- f. American National claimed investors were consistently paid their promised return.
- g. Commencing with the formation of Guaranty Performance, Inc. in February 2002, American National began offering “guaranteed” investments. The guarantee premium was paid for by the borrower.
- h. American National represented they had a legal opinion that said they were not selling securities. American National had a legal opinion in support of their use of “Illinois Land Trusts”.

Many of the representations made by American National and relied upon by the investors, were either false or misleading. In addition, American National failed to disclose material adverse information to the investors. Had American National made truthful disclosures of all relevant material facts to the investors, their investment decision would have been, in all likelihood, to not invest.

THE FALSE AND/OR MISLEADING NATURE OF THE AMERICAN NATIONAL PONZI SCHEME

- a. **Most of the American National loans were not secured by notes and deeds of trust. American National had a “hidden agenda” driven practice of not recording notes and deeds of trust.** American National frequently entered into undisclosed “side deals” with borrowers. The side deals were designed to enrich the borrowers and/or the primary control group of American National and their affiliates at the expense of the investor/lenders.
- b. Guaranty Performance was essentially a shell entity. What little funds it did generate it invested in many of the same lender obligations that it purported to guarantee. **Guaranty Performance never had sufficient assets to be able to fulfill its guarantee on any loan it guaranteed. Guaranty Performance was formed by the primary control group to create the “illusion of security”.**
- c. The use of Illinois Land Trusts provided American National with the ability to subordinate and/or eliminate entirely the investors’ interest in the real property purported to secure their investments.
- d. American National did not have an unblemished track record. Earlier loan defaults were covered up by “rolling over” loans, making new loans or creating bogus “insider” sales.

Complaining Investors were given preferential payments or gratuitously switched to other investments.

- e. "No investor ever lost money or failed to receive their promised return" was an illusion created and maintained at the expense of new investors. The illusion was in serious trouble in mid 2001 and could not be maintained after mid 2002.
- f. American National investors were consistently paid from what ever source of cash was available. The payments to the investors were not related to the borrower's ability to perform or their actual performance. The process was facilitated by the commingling of funds in communal bank accounts.
- g. The industry "niche" American National claimed to occupy was already occupied by larger, more established, more experienced "hard money" lenders.
- h. Possession of a mortgage broker's or banker's license neither adds to nor detracts from the economic substance of a loan transaction. The licensing agency does not review or approve the merits of any loan.
- i. Darrell Coulter, Senior Vice-president of National Bank of Arizona failed to disclose his direct financial interest in American National. In addition to acting as a "shill" for Larry Dunning, Coulter offered to have his bank, National Bank of Arizona, lend prospective American National investors money to invest in American National products. (ANM058202) If a prospective investor did not have sufficient assets to meet the banks lending criteria, Larry Dunning, through an American National entity, would make an undisclosed loan to the prospective investor. With his "pumped up" assets and understated liabilities the prospective investor would qualify for the National Bank of Arizona loan and would be able to invest the loan proceeds with American National.
- j. American National had an inherent conflict of interest. It was to be paid by borrowers for finding them loans. Borrowers paid American National servicing fees and other loan related fees. Investor entity related expenses were borne entirely by an American National management entity. After the creation of Guaranty Performance, borrowers paid Guaranty Performance a monthly guarantee fee.
- k. Larry Dunning had a propensity for negotiating undisclosed side deals with borrowers. The side deals typically included the nonrecording of documents meant to secure the investor loans. The side deals placed the investors in grave jeopardy of losing their entire investment.

American National pursued a strategy of "fake it until you make it". Because of Larry Dunning's prior felony convictions, he could not obtain a Mortgage Broker's License or Mortgage Banker's License. Undeterred, he used "clean straw persons" or "clean partners" to obtain the required licenses for the lending operations he and his associates controlled.

The American National entities often employed “Creative Accounting Gimmicks” to pump up their assets and equity. The techniques included nonexistent loans, fictitious equity created through related-party transactions, worthless securities, undisclosed loans and fictitious or altered documents. **American National obtained audited financial statements of their “cooked books” from a Certified Public Accountant who “sold his opinion for a fee” and who never conducted an appropriate audit of any of the American National entities in accordance with Generally Accepted Auditing Standards.**

American National covered up nonperforming loans by curing defaults through the extension of new loans or the rewriting of the terms of the old loans. Investors who complained about their borrower or its performance were often switched “without consideration” to other existing loans or to new loans by new borrowers. American National paid defaulted loan investors their scheduled interest payments by diverting funds from new investors or from payments made by unrelated borrowers. In addition, American National used investors’ funds to pay company operating expenses.

American National in furtherance of its own hidden agenda used Illinois Land Trusts as a vehicle to hide the existence of investor loans. American National frequently, without the knowledge or consent of the investors, entered into side agreements with borrowers. Those side agreements were detrimental to the investors’ interests. **The centerpiece of American National’s typical side agreement was to not record a lien against the borrower’s pledged properties so long as they were not in default.**

American National could and did “wash the title” of real estate and make the property appear to be unencumbered. The borrower could then claim the American National investors’ money as their own capital investment in the subject property. (JCS000163) If the borrower defaulted, American National could foreclose using the Illinois Land Trust, and then transfer the property to a new entity. The new entity controlled by American National or an insider could go to a third party lender and obtain senior position financing.

When American National began to lose its ability to cover up the impact of the increasing defaults and needed to increase its money-raising pace, it added an additional fictitious security “enhancement” feature to entice investors. Borrowers were required to pay a loan guarantee fee to Guaranty Performance, Inc., an American National affiliate.

Guaranty Performance, Inc. was formed to guarantee the investors that they would not lose any of their principal or interest in the event of a borrower default. Investors were told that if a borrower defaulted; Guaranty Performance, Inc. would pay off the investors their principal balance, accrued interest, and fees. **Because of its lack of capital, Guaranty Performance, Inc. never had the ability to perform on any loan it guaranteed.**

American National’s accelerating need to raise new investor funds to pay off old investors was temporarily satisfied through “creative” fund raising tactics. Prospective investors performing “due diligence” before investing were referred by American National to Darrell Coulter, Senior Vice President, National Bank of Arizona. Coulter would attest to the touted attributes of American National’s investment program. Coulter went one step further; he set up a special loan

program wherein prospective investors could borrow money from National Bank of Arizona for the specific purpose of investing the loan proceeds with American National. **If an investor did not have sufficient liquid assets to satisfy National Bank of Arizona's lending criteria, Larry Dunning would make a loan (through an American National entity) to the investor to "pump up his assets". The corresponding loan liability would not be disclosed on the investor's financial statement. Once the investor obtained the loan from Coulter's bank, the investor would repay American National its loan and invest his National Bank of Arizona loan proceeds in an American National investment program.**

By early 2002, Larry Dunning and American National appear to have believed they had perfected their business model. They sought access to the public capital market. (ANM031391) They planned a series of public securities offerings. American National submitted its' first proposed public securities offering, Secura Fund Arizona, LLC. The offering was to be an Intrastate Public Offering for \$15,000,000. Secura's preliminary prospectus was dated June 17, 2002. (As of June 10, 2002, American National was holding \$467,954 of NSF Castle Megastore checks. (JCS000288-90))

The company's submission to the Arizona Securities Division included audited financial statements that were based on a series of bogus related-party transactions. The audited financial statements were certified by their CPA, who failed to conduct his audit in accordance with Generally Accepted Auditing Standards. American National was not able to satisfy the financial and organizational issues raised by the Securities Division. American National's planned foray into the public capital market was thwarted.

ELEMENTS OF CONTROL

The ability of one Person(s) to control the actions of another Person(s).

1. I have analyzed the organizational and operational attributes of the American National Investor entities. The following Independence Matrix clearly demonstrates the Investor Entities were conceived, created, operated and controlled by the American National management entities. In the Matrix, a "0" means dependent and a "1" means independent.

Issue	Entity Name														
	Megastore Roosevelt Warehouse, L.L.C	Money Power , L.L.C.	998 E. Indian School Trust	8152 S. Stephanie Lane Trust	Oak Commons, L.L.C.	The 300 Acacia Drive Trust	The Federal Way Building LLC Trust	The 300 E. Camelback Road Trust	The Silverdale Building Trust	Progress Drive Trust	Deer Valley Trust	American Money Power, Inc.	9815 S.W. Capital Hwy Trust	7102 W. Roosevelt Trust	
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4) American National Formed Entity Before Loan Negotiated	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
5) American National Chose Entity Name	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
6) American National Mailing Address Used for Entity	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
7) American National Prepared and/or Filed Organization Documents	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
8) American National Paid Entity Organization/Filing/Advertising Costs	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
9) American National Solicited Investors	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
10) American National Selected Attorney and Accountant	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
11) American National Bank Account Used Exclusively for Entity	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
12) American National Kept Entities Books and Records	0	1	0	0	0	0	0	0	0	0	0	1	0	0	
13) American National Collected Interest and Principal Payments	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
14) Investors Never Voted on Any Issue	1	1	0	0	1	0	1	1	1	1	1	1	1	1	
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
16) American National Acted as Collection Agent	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
17) Title Company Not Used for Loan Transaction	0	1	1	1	0	1	1	1	1	1	1	1	1	0	
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19) No Written Contract with American National	0	0	0	0	1	0	0	0	0	0	0	0	0	0	
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

ENTITY'S INDEPENDENCE SCORE: 5% 65% 5% 5% 10% 5% 10% 10% 10% 10% 10% 40% 10% 5%

Issue	Entity Name														
	222 N. 44th Street Trust	Federal Capital, L.L.C.	36050 N. 58th Street Trust	Deer Valley Trust II, L.L.C.	Atlas Mine, L.L.C.	Camelback 300, L.L.C.	South Bonita, L.L.C.	Las Sendas Mountain, L.L.C.	BB/Carefree, L.L.C.	FCG Partners, L.L.C.	Profit-I, L.L.C.	Amsterdam, L.L.C.	Normandale Tower, L.L.C.	Corporate Warehouse, L.L.C.	
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
4) American National Formed Entity Before Loan Negotiated	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
5) American National Chose Entity Name	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
9) American National Solicited Investors	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
10) American National Selected Attorney and Accountant	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
11) American National Bank Account Used Exclusively for Entity	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
12) American National Kept Entities Books and Records	0	1	0	0	0	0	0	0	0	0	0	0	0	0	
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
14) Investors Never Voted on Any Issue	1	1	0	1	0	1	1	0	0	1	0	1	1	1	
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
17) Title Company Not Used for Loan Transaction	1	1	0	1	1	0	0	1	0	0	0	1	0	0	
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19) No Written Contract with American National	0	0	0	0	0	0	0	0	0	0	0	0	1	0	
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

ENTITY'S INDEPENDENCE SCORE: 10% 40% 0% 10% 5% 5% 5% 5% 0% 0% 5% 5% 10% 5%

Issue	Entity Name												
	D.V. Partners, L.L.C.	Flynn Jackson Partners, L.L.C.	Lot 14 Copper Canyon Trust	Roosevelt Warehouse, L.L.C.	Trapper Creek, L.L.C.	8744 E. Oak Street Trust	35824 N. Secluded Lane, L.L.C.	North Dobson-Scottsdale, L.L.C.	Casile Roosevelt Warehouse, L.L.C.	Flynn Jackson Premium Portfolio, L.L.C.	Flynn Jackson Second Portfolio, L.L.C.	Medina Properties, L.L.C.	The Hyde Park, L.L.C.
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	0	0	1	0	0	0	0	1	0	0	0	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	1	0	1	0	1	0	1	0	0	0	0	1	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	0	0	0	0	0	0	0	0	0	0	1	1
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 15% 0% 5% 5% 5% 0% 5% 0% 5% 0% 0% 0% 5% 10% 10%

Issue	Entity Name												
	Sixty-Seventh Street, L.L.C.	San Miguel Lenders, L.L.C.	1230 Pine Road Trust	Waterstone Apartments, L.L.C.	Ashton Glen Apartments, L.L.C.	Hudson Valley, L.L.C.	FuturaCom GI, L.L.C.	630 E. Julian Avenue Trust	Hudson Park, L.L.C.	Joshua Lane Lenders, L.L.C.	NT Creekside, L.L.C.	Colonial Village, L.L.C.	WBEM, L.L.C.
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	1	0	0	0	1	0	0	1	0	0	0	0
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	0	1	1	1	1	0	0	0	0	0	0	1	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	0	0	0	1	1	0	0	1	1	0	1	1
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 10% 10% 5% 5% 10% 10% 0% 0% 10% 5% 0% 10% 5% 10%

Issue	Entity Name											
	Amsterdam Lenders, L.L.C.	FCG Lenders, L.L.C.	4330 N. 5th Avenue Trust	FJ Properties, L.L.C.	Wayzata Lenders, L.L.C.	3303 Ohio Property, L.L.C.	North Secluded Lane, L.L.C.	Thomas Townhomes, L.L.C.	Forest Amsterdam, L.L.C.	2302 N. 36th Street, L.L.C.	8802 N. Black Canyon Hwy Trust	Deer Valley/26th Avenue Trust
1) American National Negotiated Terms and Conditions of Loan	0	0	0	0	0	0	0	0	0	0	0	0
2) American National Responsible for Recording Loan Documents	0	0	0	0	0	0	0	0	0	0	0	0
3) American National Prepared Description of Loan Terms and Collateral	0	0	0	0	0	0	0	0	0	0	0	0
4) American National Formed Entity Before Loan Negotiated	0	0	0	0	0	0	0	0	0	0	0	0
5) American National Chose Entity Name	0	0	0	0	0	0	0	0	0	0	0	0
6) American National Mailing Address Used for Entity	0	0	0	0	0	0	0	0	0	0	0	0
7) American National Prepared and/or Filed Organization Documents	0	0	0	0	0	0	0	0	0	0	0	0
8) American National Paid Entity Organization/Filing/Advertising Costs	0	0	0	0	0	0	0	0	0	0	0	0
9) American National Solicited Investors	0	0	0	0	0	0	0	0	0	0	0	0
10) American National Selected Attorney and Accountant	0	0	0	0	0	0	0	0	0	0	0	0
11) American National Bank Account Used Exclusively for Entity	0	0	0	0	0	0	0	0	0	0	0	0
12) American National Kept Entities Books and Records	0	0	0	0	0	0	0	0	0	0	0	0
13) American National Collected Interest and Principal Payments	0	0	0	0	0	0	0	0	0	0	0	0
14) Investors Never Voted on Any Issue	1	0	0	0	0	0	0	0	1	0	1	1
15) American National Prepared All Information for Vote on Any Issue	0	0	0	0	0	0	0	0	0	0	0	0
16) American National Acted as Collection Agent	0	0	0	0	0	0	0	0	0	0	0	0
17) Title Company Not Used for Loan Transaction	0	0	1	0	0	0	1	0	0	1	0	0
18) American National Paid Entities Operating Costs	0	0	0	0	0	0	0	0	0	0	0	0
19) No Written Contract with American National	1	1	0	1	1	1	0	1	1	0	0	0
20) American National Paid All Collection Costs	0	0	0	0	0	0	0	0	0	0	0	0

ENTITY'S INDEPENDENCE SCORE: 10% 5% 5% 5% 5% 5% 5% 5% 10% 5% 5% 5%

2. In addition to the elements detailed in the Independence Matrix the following list of transactional practices and control attributes demonstrate the underlying framework for commingling of funds and the disregard of entity integrity.

a. **Pervasiveness of Transactions that lacked economic substance.**

- 1) **Funding of a new loan to a borrower that is in default on an earlier loan made by a sister entity.** The purpose of the new loan is to cure the default of the original loan(s) and to make curative payments to the original lending entity. The second loan does not recognize the increased risk of lending to a borrower already in default. Material omissions of facts and misrepresentations of facts about the borrower's financial condition, the loan's purpose and the loans safety were withheld from/made to the investors. The new loan was at higher risk but offered little or no additional collateral or security. The borrowing entity used a substantial amount of new loan proceeds to bring its original loan(s) current.
- 2) **Using new investor money for inappropriate purposes.** American National controlled and directed the distribution of funds to or on behalf of borrowers. Funds were disbursed in the 'best interest' of American National and "old investors". The disbursements were contrary to the stated purpose of the loan and were not made in the best interest of "new investors".

- 3) **Rolling over of defaulted loans.** Additional loan funds may or may not be involved in the new or “rewritten” loan. The loan repayment terms were rewritten and/or were extended. The function of the rollover, to a typically larger loan, was to cure an existing default by extending the loan’s due date and/or by providing additional cash to bring the loan current. The loan rollover is not based on economics or prudent business judgment. The primary purpose of the transaction is to create the illusion of a performing loan.
 - 4) **Investment switching.** Investors wanting out of an investment were gratuitously switched from one loan to another loan or were “cashed out” by new investor funds. The switching or replacements were done regardless of the loans status and commonly occurred after a borrower defaulted. The face value switches/replacements ignored the economic impact of material adverse internal and/or external economic conditions of the borrower.
- b. Undisclosed or hidden related party transactions and conflicts of interest were used by Larry Dunning and American National to cure defaults and to create nonexistent assets for financial statement purposes. The purpose of the falsified financial statements was to satisfy regulatory financial standards and/or obtain third party financing.
 - c. Transactions outside the scope of the entities stated purpose were used to cure defaults on unrelated loans and to collect fees owed on unrelated transactions. In addition investor funds were diverted to American National management entities to cover American National’s operating expenses.
 - d. Undisclosed joint ventures were created to stave off lender defaults and/or to fractionalize the funding of large loans. (ANM057262) New investor entities were formed to make new loans to old borrowers. The practice of “throwing good money after bad” is self evident in the ConSyGen, FutureCom and Castle transactions.

INVESTOR CLAIMS AND COUNTER CLAIMS

Because of the pervasiveness of transactions that lack economic substance and the commingling of funds it would be uneconomical or impossible to determine their specific effect upon individual investors. Typically in a Ponzi scheme it is easy to determine where the money came from but it’s almost impossible to determine where it went or where it should have gone. Communal bank accounts; lack of separate books and records; disregard of entity integrity, form, function and purpose; and fraud underscore the impossibility of a true determination of a preferential claim to assets that one investor may have over another. The transactions by their nature give rise to investor claims and counter claims that have the potential to completely exhaust the assets of the estate prior to resolution of the issues and claims.

SPECIFIC EXAMPLES OF THE PONZI SCHEME, CONTROL AND BASIS FOR CLAIMS AND COUNTER CLAIMS

No economic substance to core business activity/Fraud from the beginning

2725 East Thomas Loan

No loan was ever made to Herb Fisher for the 2725 East Thomas Road Town Homes project. As further evidence of the degree of control American National exerted over the investors, the proceeds raised from investors were diverted to at least one unrelated loan, to pay start up expenses for Larry Dunning's planned Florida operations, to make interest payments to the investors and to pay American National's operating expenses.

On October 7, 2002, Herb Fisher applied with American National for a loan of \$1,250,000 to build 12 Townhouse units at 2725 East Thomas Rd, Phoenix, Arizona. (ANM010681-4) During the loan process Fisher requested another loan for \$353,800. On November 6, 2002, American National requested Century Title to set up a \$353,800 loan escrow account for Fisher Properties. (ANMP010674) Herb Fisher executed a promissory note to American National for \$353,800. (ANM010711) American National began raising money for the first loan. On November 15, 2002, Roxane Rudick invested \$40,000; \$20,000 in the 2725 East Thomas Road Trust and \$20,000 in another Fisher project known as the 2302 North 32nd St. Trust (ANM010746-7 and ANM010748-50) American National had in their possession assignment documents they never recorded. (ANM010819-47) The fund raising continued and on November 22, 2002, Terrance Wood invested \$50,000; \$25,000 was invested in 2725 East Thomas Road Trust and \$25,000 invested in 2302 North 32nd St. Trust. (ANM010751-2) The third investor, Annette Melton invested \$5,000 in 2725 East Thomas Road Trust on November 22, 2002. (ANM010748-50)

As of November 22, 2002, \$50,000 had been raised for the 2725 East Thomas loan.

On November 26, 2002, the Articles of Organization for the Thomas Townhomes, LLC were filed. (ANM010738-42) On December 3, 2002 American National was designated as the Statutory Agent for Thomas Townhomes, LLC. American National formed the LLC and became its statutory agent demonstrating the passive nature of the investors and American National's control. (ANM010744)

On December 5, 2002, American National wrote Check #1284 to Century Title for \$40,000 representing the initial escrow deposit. (ANM100061 and 2)

The title company objected to the "piece meal" deposit and release of funds proposed by American National. (ANM006598) On December 9, 2002 Century Title Agency cancelled the escrow and returned the \$40,000 escrow deposit. (JCS000175)

Instead of the \$40,000 going back into its trust account, American National deposited the \$40,000 into its operating account.

According to American National's accounting records the operating account was overdrawn \$7,715.14 at the time of the deposit. The remaining balance was not transferred to the trust account but, was instead used to pay \$8,000 for legal service for Larry Dunning's attempt to start an operation in Florida similar to his American National operation in Arizona. \$25,000 of the \$40,000 was used to partially fund the Future Com Global, Inc., Amsterdam property loan. (JCS000176-82 and ANM103188 and 9)

The misapplication of investor funds demonstrates American National's intentional disregard of the 2725 East Thomas LLC's stated purpose, the use of funds for unrelated activities, the degree of control American National exerted over the LLC's funds and the commingling of investor funds in American National's operating account.

No loan existed and the bulk of the investors' funds had been disbursed for unauthorized activities.

In furtherance of the illusion of a Fisher loan and in pure "Ponzi Scheme" fashion, American National made an interest payment to the unsuspecting investors on December 10, 2002. (ANM100067-72) The source of the funds to make the interest payments on the nonexistent loan was either from the investors own funds, from other investors, from a \$5,333.33 interest payment received from an unrelated loan (San Miguel) or from one or more of those sources. Because of the commingling of funds in the operating account it is not possible to precisely identify the exact source of the funds used. (JCS000185)

American National in furtherance of its deception made a second interest payment to the investors on January 9, 2003. (ANM100245-50 and JCS000187)

Incredibly, American National continued to raise funds for the nonexistent 2725 East Thomas Road/Fisher loan. The final investor, Joel Martinez, invested \$50,000 from his IRA account at Mid-Ohio Securities Corp on January 29, 2003. (ANM010753-7 and ANM010668-73) American National breached its fiduciary duty to its investors.

American National's accounting records recorded the Martinez \$50,000 investment as a deposit to American National's operating account on February 3, 2003. (JCS000181) American National had a "trust" account for investor funds. The Martinez deposit should have been made to the "trust" account not the operating account.

The "trust account" was for "regulatory show" not substance.

After the \$50,000 Martinez deposit, American National's operating account had a balance of \$52,179.42. On the same day American National issued Check #1845 for \$7,000 to CMS (an American National affiliate) as a loan, Check #1846 for \$1,050 to SMM (an American National affiliate) so it could cover its January 31, 2002 payments and Check #1847 for \$6,250 to Creative Financial Funding (an American National affiliate). The \$6,250 was used by Creative Financial Funding to make a \$3,397.20 SBA loan payment for the 125 S. 52 St. Property and to pay Creative Financial Funding's 2002 FUTA Taxes of \$2,560.83. (JCS000194) Other inappropriate expenditures of the \$50,000 Martinez investment were made. However, due to the

commingling of funds in American National's operating account it is not possible to specifically allocate those funds to any specific disbursement. (JCS000192 and 3) The American National bookkeeper, in an undated work sheet, attempted to account for the use of \$30,721.74 of the \$50,000 Martinez deposit. (JCS000387)

The Ponzi scheme continued. On February 6, 2003 a final interest payment was made to three original investors in the nonexistent loan. (ANM100547-52 and JCS000191)

A total of \$100,000 was raised from four investors for a nonexistent loan. American National collected a \$10,000 fee for making the nonexistent loan. Since no loan was made, the \$10,000 fee was for raising the \$100,000 from investors. Since no proceeds were loaned to the prospective borrower and American National had complete access to the investor funds, they could and did divert and convert the funds for their own benefit. During the same time frame that \$100,000 of investor funds was diverted from the 2725 East Thomas Road loan, a second \$100,000 of investor funds was diverted by American National from the Fisher, Oak Commons loan (36 Street and Oak).

Similar to another loan referred to as the High Chaparral loan, American National perpetuated the illusion of a loan by making periodic interest payments to the investors.

Lack of significant economic substance to core business activity/Good deal gone bad/not all Ponzi Schemes start out as Ponzi Schemes

High Chaparral

Between March 11, 2002, and April 2, 2002, three investors invested \$50,000 each for the purpose of making the \$150,000 High Chaparral Loan. By April 5, 2002, \$134,500 had been raised and disbursed to the borrower.

The High Chaparral loan was one of the few loans made by American National that was repaid by the borrower. However, American National was not content with having a performing loan.

On May 24, 2002, High Chaparral repaid the loan in full. The three investors were not notified of the loan payoff and the principal payoff of \$150,000 was not disbursed to the investors. **Instead, American National created the illusion that the loan had not paid off. American National continued to make interest payments to the three investors as though the loan had been extended. Since no loan existed, interest payments either came from general corporate funds, the investors' own principal or from new investors' funds.**

By June 10, 2002, when the first bogus interest payments were made to the three investors, American National was holding \$467,954 of NSF Castle entity checks. (JCS000288)

A February 6, 2003, interest payment was made to two of the three investors on the nonexistent paid off loan. (ANM100455 and 6) Apparently the status of the High Chaparral loan was common knowledge among the American National employees. On January 23, 2003, Mark Kessler, an American National salesman, sent a memo to Connie (Helen Hartz), American

National's responsible party. Kessler expressed his concerns that one of his clients, Doug Dragoo, had received interest payments for the past six months on a paid off note. Kessler stated "Doug Dragoo loaned \$50,000 to the Chaparral LLC. It paid off as much as six months ago, and he has only received interest payments.?? I was told when he asked about the property that it was an accounting error, and ANMP would make good with his \$\$\$ as soon as they could."(JCS000385) In an "off the books" switch, Larry Dunning, on or about February 26, 2003, recorded a \$50,000 lien against Tim Isaac's house at 7000 N. 47th St, Paradise Valley, Az. The Isaac lien was a substitution for Doug Dragoo's \$50,000 investment in the paid off and no longer existing High Chaparral loan (JCS000392 & 3).

On October 25, 2002, one of the three investors, Lyman Davis, was paid his principal investment of \$50,000.

As of October 21, 2002, American National was holding \$1,838,851 of Castle entity NSF checks. (JCS000291)

The Salinas Family Revocable Trust had the remaining \$50,000 investment in the High Chaparral loan. Their principal balance was never repaid.

Other diversions of funds were occurring at the same time as the High Chaparral interest ruse was being conducted as illustrated by American National's accounting records. (JCS000386 and 7)

FLYNN JACKSON LOANS/A PONZI SCHEME WITHIN A PONZI SCHEME

Between April 25, 2002, and November 16, 2002, American National made four loans to Flynn Jackson; \$715,000 on April 25, 2002, \$288,612.82 on June 26, 2002, \$608,798.70 on July 31, 2002 and \$88,000 on November 18, 2002 for a cumulative total of \$1,700,411.52. (ANM027145, 6, 26500 and 26654)

Flynn Jackson made principal and interest payments on the \$715,000 loan through February 10, 2003. The remaining principal balance at February 12, 2003 was \$193,448.17. (JCS000388) The \$715,000 note was in default on October 30, 2002.

On November 11, 2002, Eric Strasser, American National COO, without investor approval, agreed to extend the \$715,000 Flynn Jackson note. (ANM026707 and 8)

On December 15, 2002, one investor, Lyman Davis, wrote to American National citing his October 29, 2002 letter, wherein he stated that the Flynn Jackson note had expired, he had no interest in extending the note and he wanted his principal and default interest paid. On December 14, 2002 Lyman Davis received his \$50,000 of principal. **The \$50,000 came from a new investor, Clinton DeWitt. (JCS000388)**

The June 26, 2002, Flynn Jackson note for \$288,612.82 and the July 31, 2002 Flynn Jackson note for \$608,798.71 were accounted for by American National as one note totaling \$897,411.53. (ANM027145 and 6 and JCS000389 and 90) Flynn Jackson had made one principal payment on

the combined note of \$483,373.86 on February 10, 2003. The remaining principal balance of the two notes was \$414,037.67 at February 12, 2003. (JCS000389 and 90)

On November 18, 2002, Flynn Jackson borrowed an additional \$88,000 from four investors. (JCS000391 and ANM026500) The purpose of the loan was to establish an interest reserve for the other Flynn Jackson loans. There appears to have been no disclosure to the new investors of the purpose of the loan or of Flynn Jackson's default on its original loan.

During an interview of the principals of Flynn Jackson they disclosed the Ponzi nature of their operations. They explained how they had never made money on any of their transactions financed by American National investors. Further, they stated that they liquidated collateral to make the interest and principal payments on the earlier loans.

On February 12, 2003, Flynn Jackson had a cumulative outstanding principal balance owed of \$695,485.84 and approximately \$200,000 of collateral securing it.

The principals of Flynn Jackson stated that American National personnel were aware of and approved the liquidation of collateral to make interest and principal payments and the resultant under-securitization of the loans. The statement that American National knew and approved of the excess liquidation of collateral is supported by the fact that American National held and controlled Flynn Jackson's collateral. American National had to release the collateral before Flynn Jackson could liquidate it.

CONSYGEN, INC. (CSGi)/125 SOUTH 52ND STREET

Summary of Transaction

American National foreclosed on the CSGi loan and sold the property to a related party at an inflated price. Prior to the close of escrow the affiliate applied for and received a SBA first mortgage loan and a second mortgage loan from California Bank and Trust (an affiliate of National Bank of Arizona) for a combined total of approximately one million dollars. Prior to the April 4, 2002, SBA loan closing the affiliate sold the property to Future Com Global, Inc. (FCG) on March 27, 2002. FCG executed a promissory note on March 27, 2002, for \$1,250,000. (JCS000169) A portion of loan proceeds obtained from the SBA and/or second mortgage loans was supposed to be used to payoff old investors. However, American National did not receive sufficient proceeds to payoff the old investors' principal balance. **None of the proceeds was paid to the old investors. Instead their principal and accrued interest were rolled over and allocated between two new FCG obligations of \$1,250,000 and a second loan for \$555,000. The allocation was necessary since the old investors were owed more than \$555,000.** (JCS000159-61 and 165 -71)

A History of Throwing Good Money After Bad

On October 19, 1999, Western + Gulf (WGC), a Larry Dunning owned entity, on behalf of Robert Rehm and Daniel Hamburg Trust agreed to loan ConSyGen, Inc. (CSGi) and Robert L. Stewart **\$200,000**. The loan was secured by CSGi's office building at 125 South 52 Street and

Stewart's personal residence at 8152 South Stephanie Lane. The loan was for 90 days (due January 1, 2000). **The loan was subsequently increased to \$220,000** (\$150,000 Hamburg and \$70,000 Rehm). (ANM046170-74 and ANM020454)

On October 21, 1999, Rehm loaned CSGi an additional \$90,000 for 7 days. **Total loan value was increased to \$310,000.** (ANM046167)

On November 3, 1999, Rehm and WGC loaned CSGi \$65,000 for a 5 month term (Due May 3, 2000). **Total loan value was increased to \$375,000.** (ANM046171)

On November 15, 1999, CSGi acknowledged the previous loans of \$70,000; \$90,000; \$65,000 and \$150,000 and borrowed an additional \$310,000 for 6 months at 1.75% interest per month. **Total loan value was increased to \$685,000.** A product royalty agreement was added as an additional inducement. (ANM046169)

The source of the funds for the additional \$310,000 loaned by Hamburg to CSGi was loaned by Schupak to Hamburg. The loan was arranged by Larry Dunning and secured by Hamburg's interest in 998 East Indian School Rd. (ANM022092, 93, 219-221)

Also, on November 15, 1999, Stewart assigned his interest in 8152 South Stephanie Lane to Hamburg and Rehm (8152 S. Stephanie Lane Trust). (ANM046196)

On January 10, 2000, a default notice was sent to CSGi by CFS (an American National entity) as trustee for the 125 S. 52 Street Trust for the cumulative outstanding loan balance of \$685,000. (ANM046180-81)

On February 14, 2000, CSGi borrowed \$200,000 from Monte and Betty Meux (American National investors). The loan proceeds were used to cure the default on the previous \$685,000 of loans. (ANM046191)

On May 12, 2000, Schupak (Hamburg's and Rehm's source of the \$310,000) agreed to a 90 day extension to August 15, 2000. (ANM046158)

On August 15, 2000, Schupak agrees to extend his loan due date to November 15, 2000. (ANM046168)

On August 16, 2000, CSGi, in exchange for a 90 day extension from Hamburg and Rehm, agrees to pay \$10,000 for Hamburg and Rehm's extension agreement from Schupak. Creative Financial Funding (Creative Financial Funding) advanced the \$10,000 on behalf of CSGi. Eric Strasser signed the agreement as CFO of CSGi. (ANM046184)

On December 4, 2000, CSGi agrees to pay up to \$50,000 for damages to Hamburg and Rehm caused by Schupack's foreclosure on his \$310,000 loan to Hamburg and Rehm. CSGi acknowledged its default on its \$310,000 loan from Hamburg and Rehm. (ANM046155)

On December 20, 2000, Hamburg borrows \$320,000 from Capital Management, a third party lender, to payoff the \$320,427.31 due on the Schupak loan of \$310,000. (ANM027980)

On March 20, 2001 Hamburg's Capital Management loan is paid off for \$326,933.33. The money was received from another American National investor, Rudolph Ouwers. Rudolph Owens believed he was investing in 998 E. Indian School Trust. (ANM027978, 035536 and 128694)

On April 5, 2001, CSGi acknowledges its default on its loans and turns over its interest in 125 South 52nd Street to CFS, trustee for the 125 S. 52nd Street Trust. CSGi agrees to lease 125 S. 52nd Street property from the trust for \$15,000 per month with an option to repurchase the building. As part of the agreement CFS agrees to advance CSGi an additional \$13,300. (ANM046151 & ANM065788-91)

The purpose of the \$13,300 advance to CSGi was to provide CSGi with the funds needed to postpone for 30 days (from April 17, 2001 to May 17, 2001) the first lien holder's (American Savings Life Insurance Company [ASLIC]) scheduled trustee's sale. Item 2. of ASLIC's March 28, 2001, letter requests a current copy of the pending agreement for sale and leaseback of the property. (ANM065788-91)

The Related Party Sale

On May 10, 2001, Creative Financial Funding, Robert Rehm, Managing Member executed a real estate purchase contract to purchase 125 South 52 Street from CFS, acting as trustee for Lillian and Daniel Hamburg and Monte and Betty Meux for \$1,295,000. In addition, Lillian and Daniel Hamburg and Monte and Betty Meux individually signed the acceptance on May 11, 2001. (ANM065648-55)

On May 10, 2001, CSGi's principal balance owed to ASLIC on its first mortgage was approximately \$530,000. The principal balance owed to American National investors for their second position was \$685,000. The total outstanding principal indebtedness was \$1,215,000. In addition to the principal loan balances of \$1,215,000, a reinstatement fee of approximately \$100,000 was owed to ASLIC. **At May 10, 2001, the outstanding amounts owed were greater than the \$1,295,000 gross sale price.**

As a consequence, neither CSGi nor CFS, as trustee had any equity to absorb either ASLIC's ongoing interest payment requirements or American National lenders' prior accrued or continuing debt service requirements. The interest, fees and penalty portion of the ASLIC reinstatement payment of \$100,466.09 and ongoing interest payments to ASLIC were credited as payments toward the contract sale price.

The ANMP investors were in a loss position as of May 10, 2001. Their loss would increase dollar for dollar with each interest payment to ASLIC and dollar for dollar for any net operating costs for the property. The CSGi lease for \$15,000 was a sham since CSGi was insolvent. CSGi had not made a payment on its first mortgage obligation to ASLIC since September 7, 2000. (ANM065786)

An internal economic analysis that appears to have been prepared during Creative Financial Funding's SBA loan application process disclosed an analysis of two different disposal scenarios for the property. Plan A was based on a CB Ellis estimate of sales price of \$1,100,000. After deducting a sales commission of \$66,000 and the ASLIC first mortgage of \$550,000, only \$484,000 would have been available to distribute to the American National investors who were owed \$685,000. Plan B envisioned the effects of a SBA refinancing. Under Plan B, only \$376,775 would be available for distribution to American National investors. Clearly, either plan would result in a loss of principal for the American National investors. (ANM046161)

The purchase contract called for an Earnest Money deposit of \$100,446. (ANM065648) On May 16, 2001, Creative Financial Funding issued Check #1105 for \$100,446.09 to ASLIC to reinstate its first mortgage. (ANM065782 & 3 and ANM065786 & 7)

An additional purchase contract term was for Creative Financial Funding to make monthly payments of \$10,345.11 to ASLIC. The purpose of the monthly payments was to service the ASLIC's first mortgage obligation. The monthly payments were to be credited to the purchase price. (ANM065648-55 and JCS000148-50)

CFS, the seller, not Creative Financial Funding, the buyer, issued a series of checks to ASLIC for the monthly mortgage payments. (ANM065777, 793, 797-802, 806, 809, 811, 816, ANM048684, ANM048695 and JCS000149 & 50)

SBA Loan Fraud to Facilitate the Related Party Sale and Cover Up the Inevitable Investor Losses

On July 21, 2001, Larry Dunning read an article in the Business Section of the Arizona Republic about the availability of SBA loans. (ANM065905)

On August 7, 2001, Larry Dunning sent financial statements for Creative Financial Funding to Business Development Corporation for comments as to Creative Financial Funding's eligibility for a "504" SBA loan. (ANM065928-30)

On August 23, 2001, CFS loaned CSGi \$50,000. (ANM046192, 92988-9) The continued loans to CSGi were necessary so that CSGi could make its lease payments to CFS. The purpose was to maintain the fiction of a performing lease.

September 1, 2001, Addendum to the lease between CSGi and CFS is amended to reduce the square feet leased to 4,684. (ANM065896)

On September 1, 2001, CFS loans CSGi \$151,996.78. (ANM046193)

On September 12, 2001, Creative Financial Funding loans CSGi \$11,000. (ANM046195, 48751) CSGi paid CFS \$11,000 for rent. Creative Financial Funding/CFS represented to the SBA that they were renting a portion of the building to CSGi for \$11,000. The loan/rent agreement was

designed to keep the myth alive that CSGi was making monthly rent payments. (ANM048217 & 27 and JCS000434-8)

On September 15, 2001, Creative Financial Funding loaned CSGi an additional \$11,000. (ANM046194 & 5, 48741) CSGi pays \$11,000 rent to CFS/CFF. (ANM048227 and JCS000410 & 420)

On November 1, 2001, Larry Dunning sold CFS to CFF for \$500,000. Pontchartrain Realty Fund, LLC is the maker of the \$500,000 promissory note to Dunning. (ANM030089-92) The operations of Pontchartrain Realty Fund, Inc. and LLC appear to be one and the same. The November 1, 2001 transaction appears to have been conducted by a defunct entity. Larry Dunning, in a February 20, 2001 letter to Schupack, stated that Caspare folded PRF, Inc. He also stated the company had no assets and a negative net worth of \$250,000. (ANM007372)

At approximately the same time Larry Dunning sent an email to Gregory (Business Development Finance Corp.) wherein Dunning provides Gregory with CFF's October 31, 2001, Financial Statements. Larry Dunning asserts that Pontchartrain was CFF's parent. (JCS000151)

CSGi is Taken Off Life Support

December 10, 2001, an email by CSGi's CEO and President, Bruce Shirey, including a letter to shareholders that outlined the deep financial crisis CSGi was in and concluded that bankruptcy was the most judicious available solution. (JCS000152-4)

Undeterred by Regulatory Issues

On December 21, 2001, Frank Caspare and CFF enter into a Cease and Desist Order with the Arizona Banking Department. CFS is cited in the order as being unqualified to act as a trustee on Arizona Trust Deeds. (ANM040361-9) Frank Caspare did not disclose what appears to be a material adverse change in CFF/CFS's ability to conduct business as required by item VII of the SBA loan commitment. (ANM065700)

Creative Accounting

On January 7, 2002, Zions Bank issues a commitment to CFF for a loan on 125 South 52 Street. (ANM065696-703) Item E. of the Zion's SBA loan commitment required CFF to make a Capital Injection of \$216,725. \$194,250 was to be paid by the borrower (CFF) for the purchase of the real estate. (ANM065696 & 7) CFF used its payments to ASLIC for CSGi and rent loans from CFF to CSGi to support its claim that CFF made \$164,226.07 of the required real estate purchase payment of \$194,250. (JCS000410)

How to Fix the Fix

Before the CFS sale to CFF is completed, Larry Dunning structures a new sale of the property to Future Com Global, Inc. (FCG). **According to the March 27, 2002, FCG deal summary for 125 South 52 Street, the purchase price was to be \$1,250,000 (\$45,000 less than CFF's**

purchase price of \$1,295,000). The underlying indebtedness is represented to be \$1,020,000. As part of the transaction, CFF assigned its 1st beneficial interest to Secura Mortgage Management, LLC, an American National affiliate (SMM). CFF assigned its 2nd beneficial interest to FCG. (ANM008091 & 8094c)

On March 27, 2002, a promissory note was executed between FCG and Ronald Kelly as borrower and Individual Guarantor, and CFF, lender for \$1,250,000. (ANM008067)

The parties entered into a Letter Agreement to supplement the sale documents for 125 South 52 Street. Pursuant to the Letter agreement, FCG's purchase of property from CFF was to be on a wrap-around mortgage financing basis. CFF was to remain liable for payment of all sums attributable to mortgage financing securing the property. The agreement was executed on behalf of CFF by Frank Caspare and FCG by Ronald Kelly. The letter was sent to Larry Dunning, FCG, and CFF. (ANM008021-3)

On March 27, 2002, CFS issues Check #1078 for \$100,000 of loan proceeds to FCG. (JCS000155 & 6)

The Commercial Real estate Purchase Contract for 125 South 52 Street was sent from Jonelle Long, Realty Experts, Inc. to Greg Harrington. Harrington forwarded it to (Larry) Dunning stating they (FCG) want a 100% leveraged deal and a payout of cash from funds received from underwriting (SBA loan). The close of escrow date was to be April 1, 2002. (ANM008027-28, 31-38)

The Truth Would Have Killed the SBA Loan

The SBA loan was premised on an owner occupied building. The FCG purchase was not disclosed to the SBA and it was structured to make it appear as though CFF was the owner/occupant of the property.

On April 3, 2002, CFF deposited escrow funds with Stewart Title & Trust, escrow agent for SBA transaction. (ANM028603 & 3a-e)

On April 3, 2002, Larry Dunning, on behalf of CFS, provides the Stewart Title & Trust Company with an Owner's Affidavit. In item 3, Dunning does not disclose the existing FCG sale agreement. (ANM028613 & 4)

On April 3, 2002, Frank Caspare, on behalf of CFF, and Larry Dunning, on behalf of CFS, execute a Sales Affidavit stating that CFS sold the property to CFF in May 2001 for \$1,295,000 and CFF made a cash down payment of \$275,000. The \$275,000 down payment apparently was comprised of CFS's April 5, 2001, advance of \$13,300 to CSGi for its ASLIC loan, CFF's May 16, 2001, \$100,466.09 payment to ASLIC to cure the default on the first mortgage and its commitment to pay ASLIC \$10,345.11 per month until closing. (ANM028673-5)

On April 4, 2002, CFF received \$10,000 escrow refund from Security Title. (ANM028602 & 3)

April 4, 2002, CFS received net sales proceed/SBA loan proceeds of \$494,921.67. (AMN028600 & 1)

Investment Switching

April 4 or 5, 2002, CSGI investors Hamburg, Rehm and Meux are transferred to FCG loan for \$555,000. Net sales proceeds of \$494,921.67 are reduced to \$481,172.47 by reimbursement of expenses of \$13,749.20 paid by CFS. The \$555,000 is broken down as follows: Hamburg \$275,002.50; Rehm \$95,016.50; Meux \$129,981.00 and Secura Fund Arizona \$55,000 (unpaid loan fee/points). (Internal Analysis JCS000158)

Keeping the Illusion Alive

On or about April 26 2002, CFF moved out of 125 South 52nd Street and moved into their new offices at 15021 North 74 Street. The SBA loan to CFF was based on the building being owner occupied. In an undated letter from Larry Dunning to Susan Rutledge, Eric Strasser and Doug Baxter (based on transactions described in the letter, the letter would have been written after May 9 and before June 13, 2002), Dunning tells them **"This means that we should be paying our mortgage for the Tempe building very early in the month and not by Fed ex overnight. We do not want to draw attention to the fact we are not in the building. The Creative check should be mailed on the first of the month in a Creative Financial envelope, even though we will not receive payment until the middle of the month."**(ANM110751 & 2 and JCS000157)

FUTURE COM GLOBAL, INC./AMSTERDAM

Two transactions were manufactured to solve the deepening problem American National faced with the 125 South 52 Street CSGi loan and a second loan known as the Amsterdam loan (350 Forest Avenue).

A Brief History of the First Bad Loan on the Amsterdam Building

A \$750,000 acquisition bridge loan application was submitted to CFF by Gregory Crouse on or before April 2, 2002. (ANM008403) There appeared to be a substantial difference between the purchase price of \$135,000 and the requested loan amount of \$750,000. (ANM008416)

Gregory Crouse sent a letter dated April 2, 2002, to Larry Dunning and Mark Kessler explaining the reason for Nevada Diversifier's \$135,000 title policy. (ANM008439)

A \$750,000 promissory note dated April 2, 2002, between Amsterdam LLC (lender) and Global Investments Group LLC and Individually by Gregory Crouse, Bridgett Crouse, Michelle Sanford, Robert Brader (the responsible individual for CFF in 2001), Timothy Isaac, Dennis Silvester and Dianna Brader (borrowers) was executed. (ANM008451 & 2)

On April 8, 2002, title company instructions were issued for disbursement of \$750,000 loan proceeds. (ANM008795 & 6)

It appears the excess funds of approximately \$500,000 were divided up among the individual guarantors.

The Borrowers Never Made a Payment on the Loan.

On June 27, 2002, Notice of Foreclosure was sent by David Stocker, Attorney to Gregory Crouse and Global Investment Group, LLC. (ANM008707)

On June 17, 2002, a Second Notice of Default was sent by Ronald Tanet, Attorney to Global Investment Group, LLC and Gregory Crouse. (ANM008768)

On July 3, 2002, a letter was sent by Susan Rutledge, CFO, ANMP LLC to investors notifying them of the June 27, 2002 foreclosure. (ANM008770)

On September 9, 2002, Mark Kesler, ANMP LLC sent a letter to an investor stating "A Buyer is in contract. We are awaiting funding..... As previously stated you will receive three months at 5% and 2% per month from August 16, 2002, the date of contract, until paid in full." (ANM008753)

How to Solve a Problem and Teach How to "Cook the Books"

American National foreclosed on the Amsterdam loan and entered into a sales agreement with FCG wherein they would purchase the property for 2.5 million dollars. FCG executed a promissory note for the 2.5 million dollar purchase. American National's plan was to raise 2.5 Million dollars from new investors. On July 8, 2002, Ron Kelly, CEO, FCG discloses to Larry Dunning, CFF, of FCG's need for \$300,000. (JCS000162)

On July 18, 2002, Larry Dunning outlines a proposed loan to FCG for \$1,750,000. In Dunning's July 18, 2002, letter he states to Kelly **"Also, by not recording the deed of trust and Illinois land trust – as long as no default occurs – You could put it on your books at full value and use it as "collateral" for the building funds from a local institution which would be low interest with a \$5,000,000 free and clear net worth."** (JC000163) On page two of the letter Dunning states "After FCGi has received the first \$300,000 and we have raised the additional \$1,000,000 to buy the property and clear up the mortgages, a preliminary title report will show that FCGi owns the \$5,600,000 property free and clear in a trust in which it appears to be both trustee and beneficiary. The rational explanation to any potential lender is that it is set up in a manner to isolate the property from any would be extraneous law suits. FCGi should be able to find lenders in the area that will finance the "improvements" and provide a bankable "take out" using the \$5,600,000 as collateral which will allow FCGi to pay off the purchase price, et cetera; eliminating the interest reserve, et cetera." (JCS000164)

Larry Dunning in his July 18, 2002, letter offered Kelly advice on how he could "Cook his Books" and commit loan fraud.

The \$5,600,000 Dunning refers to in his letter is based on a phony appraisal of the Amsterdam building. The appraisal purports to have been prepared by Marshall & Swift. Marshall & Swift

does not perform appraisals; they provide, for a fee, historic construction cost data. (ANM008895) Anyone can go on-line and purchase construction cost data from the company. The maker of the phony Marshall & Swift appraisal appears to have used construction cost data for New York City not Amsterdam, New York. (JCS000440-3)

The “Old Dudes”

In an undated memo from LWD (Larry Dunning), he instructed the staff on the “distribution priority” for the anticipated receipt of 2.5 million dollars of new investor money for the 2.5 million dollar FCG loan. The first \$300,000 was to go to the borrower; the second \$862,000 was to go to the “**old dudes**” to pay off their principal and interest on their original investment in an Amsterdam loan.

Note: The reference to the “old dudes” represents a main feature of the classic Ponzi scheme wherein new investor money is used to repay the principal and interest to previous investors.

The third \$250,000 was to go to American National for their origination fee. The fourth \$488,000 was to go to the borrower. The final \$600,000 was to be used for an interest reserve account. (ANM057262)

OAK COMMONS, LLC/2302 NORTH 36TH STREET TRUST

On October 18, 1999, Larry Dunning arranged a \$325,000 loan between RMCC, Inc. (RMCC), Borrower and Eugene and Lenore Schupak Family Trust, Lender. (ANM007643 and ANM007631-3) At that time **Larry Dunning appears to have been acting as an unlicensed mortgage broker for a nonexistent entity, Creative Financial Funding, LLC.** CFF was not formed until February 11, 2000 and did not receive its mortgage broker’s license until May 24, 2000. (ANM030270 and ANM030245)

On January 1, 2001, Daniel F. Wallen, Valley Financial Funding, wrote a letter to Larry Dunning, consultant-loan officer, CFF expressing his “compliance issues” concerns. **Wallen was specifically concerned about payments to consultants and unlicensed mortgage brokers as well as closing loans in other company names. Wallen believed that Larry Dunning’s errant activities started in October 2000.** Apparently, Wallen never knew about similar transactions that occurred prior to October 2000. (ANM038928-30 and JCS000195-7)

Can Do Attitude/Borrower Default, No Problem

The October 18, 1999, RMCC loan is one of the earliest loan transactions in the American National files. The borrower missed its June 1, 2000, loan payment. From that point on **Larry Dunning, with the aid of Herb Fisher, Robert Rehm and Marshall Boyce, orchestrated a series of loan transactions (investor and bank) to cover up the original default and lack of sufficient value in the property.**

On July 5, 2000, RMCC receives a notice of default citing its failure to make the June 1, and July 1, 2000, loan payments and its failure to provide insurance coverage on the property. (ANM007507-10) Schupak sent Larry Dunning, CFF an estimated payoff summary on August 18, 2000. (ANM007487) During that same time frame Larry Dunning was attempting to find a buyer for the property and/or an investor to refinance the Schupak note. In an attempt to further induce a buyer, Larry Dunning offered to refinance the acquisition. (ANM007486, ANM007494 & 4a and ANM007372) Larry Dunning failed in his attempts to find a buyer. **Larry Dunning's solution was to find a "friendly" buyer and arrange 100% + financing.**

Another Bogus Related Party Sale

On March 20, 2001, Herb Fisher purchased the 36 Street property from CFS, as trustee for the 2302 N. 36 Street Trust, for \$471,711.63. In addition, the Gordon Family Revocable Trust lent Fisher \$200,000. The Gordon loan was recorded in the first lien position. The Security Title Agency prepared settlement statement shows a \$367,139.57 borrower deposit and net proceeds of \$95,427.94 to be paid to the Borrower, Herb Fisher. (ANM007609-11) The actual source of the \$367,139.57 was from an American National investor, Pensco Pension. At the time, Pensco was the sole member of the 36th Street Trust.

In reality, Herb Fisher did not purchase the property; Western + Gulf Capital, Inc. (WGC) (a Larry Dunning entity) purchased it using investor Pensco's money. At best, Fisher had an option to purchase the property. The March 21, 2001 sequentially recorded title transfers of the property were as follows: 1). Schupak transfers the property to Western Gulf Capital, Inc. and 2). Western + Gulf Capital, Inc. transfers the property to Corporate Fiducial Services, Inc. as Trustee of the 2302 N. 36th Street Trust, Dated 03/20/01. (ANM007600-2 and ANM007604-6)

WGC, Landlord, entered into a lease/purchase option agreement with Herb Fisher, Tenant, on May 1, 2001. Fisher was required to pay a \$1,000 option fee at the rate of \$100 per week. The purchase price was to be \$385,000 (\$182,139.57 less than the outstanding loans of \$567,139.57) plus any real estate taxes due on the premises if the option was exercised by December 1, 2002. (ANM007337-63)

Fisher never made an option or lease payment. He failed to make the very first payment.

On May 25, 2001, WGC entered into a sales agreement with Herb Fisher. In the agreement, Fisher acknowledges his default on the lease/option agreement. **Despite Fisher's immediate default, Larry Dunning agreed to loan Fisher an additional \$50,000 so he could cure his default.** Investor Pensco and the 36th Street Trust are conspicuous by their absence in this agreement. The agreement is between WGC and Herb Fisher. In the agreement, Larry Dunning agrees that CFS, as trustee of the 36th Street Trust will cause Herb Fisher to become the first beneficiary of the Trust and WGC to become the second beneficiary with each receiving the benefits of that position. To the detriment of Pensco, its \$367,139.57 investment/loan is not disclosed or recognized. Item number 5 of the agreement provides WGC, not the Trust or Pensco, a 25% profit participation in Fisher's planned development of the property. **At the expense of Pensco, Larry Dunning planned to make a "silk purse out of a sow's ear" for himself.** (ANM007663 & 4 and JCS000432 & 3)

On May 31, 2001, Larry Dunning drafted escrow disbursement instructions for the \$200,000 first position Gordon loan. Dunning instructed the title company to "record for the 2302 N 36th Trust dated 03/20/01 the following documents. 1. Collateral Assignment of Beneficial Interest in Trust and Security Agreement; 2. Assignment of Beneficial Interest in Trust (wherein Herb Fisher became the first beneficiary and WGC became the second beneficiary); 3. The UCC-1 memorializing WGC 25% profit participation (filed in both real estate and Secretary of State locations)." The instructions added the following "You are not to record any other documents in connection with this transaction. The 2302 N. 36th Street Trust dated 03/20/01, Agreement for Transfer of Beneficial Interest and Beneficiary Agreement are for the use of your title department for the issuance of title insurance as described below. It is not a public document and is copyrighted material. Do not record or otherwise distribute or republish those documents without the express written consent of Creative Financial Funding, LLC." (ANM007669 & 70)

On February 22, 2002, CFS quit claimed the 2302 N. 36th Street property to 998 E. Indian School Trust. (ANM007596a-98) As a consequence, investor Pensco pension plan no longer had the property as collateral for its loan.

Between March 23, 2001 and February 13, 2003, investor Pensco received a total of \$67,242 in interest payments from American National. Those payments came from commingled funds. (JCS000414)

The Continuing String of Bogus Related Party Sales

On February 28, 2002, W+G (same entity as WGC) wrote Check #1161 to CFS for \$306,586.02. (ANM096718-9) **The source of the funds was the sale of 998 East Indian School Road to Robert Rehm. Robert Rehm borrowed \$400,000 from Gordon & Grossman to facilitate Larry Dunning's need to repay Pensco.** At the time of the transaction, American National investors (American Money Power, Inc. Investors, Jane Coulter Revocable Trust, Ralph Vescio and Charles Wall) had approximately \$352,000 invested in loans on 998 East Indian School Road. **The pre-existing \$352,000 of American National investor loans on 998 East Indian School Road were subordinated to the \$400,000 Gordon & Grossman loan. The subordination of the investors' loans was done without their knowledge or consent. The subordination of the American National investors' loans to the \$400,000 Gordon loan rendered the American National Investor loans worthless.** Similar to the 2302 N. 36th Street property, Larry Dunning through WGC had given Wave Management, the lessee of 998 East Indian School Road property, a \$395,000 purchase option. The total outstanding debt against 998 East Indian School Road property was approximately \$752,000. The option, if exercised, would effectively wipe out the American National investors interest in the property. (ANM007337-63 and ANM021988-90)

Juggling Act

On March 1, 2002, CFS wrote Check #1238 for \$277,765.38 to Pensco in partial repayment of its \$367,139.57 investment in the 2302 North 36 Street Trust. (JCS000198 & 9) An accounting entry was made to transfer \$50,000 of Pensco's 2302 North 36th Street Trust loan to the 3303

East Medina Road Trust. To balance the books, investor Pensco's separate investment in the 998 Indian School Trust was reduced by \$21,179.36. (JCS000421) **No cash was transferred to the Medina Trust or from the 998 Trust; Pensco's investments were merely "rearranged". (JCS000200)**

On March 31, 2002, CFS redeemed \$306,586.02 of Pensco's investment in the 2302 North 36th Street loan. (JCS000198-200)

Another Fisher Loan

On September 30, 2002, Herbert Fisher sent a \$300,000 loan request to Larry Dunning. (ANM006631) According to a Century Title Agency, Inc. preliminary title report issued November 18, 2002, WGC was a secured party on the property pursuant to a UCC Financing Statement. (ANM006652) The amount of the loan request was increased to \$384,000 to cover fees and establish an interest reserve. Herb Fisher signed a \$384,000 Promissory Note on November 15, 2002. American National was the payee. (ANM006761) Eleven days later American National formed Oak Commons, LLC. (ANM006805-7) On December 3, 2002, American National notified the Arizona Corporation Commission that American National would be the statutory agent for the LLC. (ANM006810) American National attempted to create the appearance of a LLC managed by its members by creating a Loan Administration Agreement between the LLC and American National. (ANM006910-12) The LLC members voted on the appointment of American National. (ANM006913)

Between November 15, 2002, and January 17, 2003, \$384,000 was raised from 12 investors for a new Herb Fisher loan. (ANM006992-3)

Where the Money Went

A summary of the use of the \$384,000 (JCS000415) and supporting detail is contained in JCS000416 & 7; ANM006611, 13, 15, 18, 20, 22, 24 & 26; ANM048974, 99781 & 2, 99831 & 2, ANM100063- 6, 95 & 6, 139 & 40, 167 & 8, 293 & 4, 449-52, 563 & 4)

On December 5, 2002, \$15,000 of the \$384,000 loan proceeds was paid toward Herb Fisher's purchase agreement. (ANM100063 & 4)

On December 9, 2002, \$100,000 of the \$384,000 loan proceeds was combined with \$40,000 from the 2725 East Thomas Road loan and deposited into American National's operating account. (ANM049135 and JCS000411)

The use of the \$140,000 was as follows:

Date	Check Number	Purpose	Amount	Cumulative Amount
12/09/02		Overdraft	7,741.93	7,741.93
12/09/02	1726	Legal Fees	8,000.00	15,741.93
12/09/02	1733	Loan to FCG	25,000.00	40,741.93
12/10/02	1727	AMEX	732.04	41,473.97

12/10/02	1728	Ford Credit	722.52	42,196.49
12/10/02	1731	W+G Operating Loan	2,300.00	44,496.49
12/10/02	1732	CFF Operating Loan	3,500.00	47,996.49
12/11/02		Deposit	(1,450.00)	46,546.49
12/11/02	1734	CMS Operating Loan	1,300.00	47,846.49
12/11/02	Neopost	Postage	200.00	48,046.49
12/11/02		Deposit	(611.12)	47,435.37
12/12/02		Deposit	(2,749.71)	44,685.66
12/12/02		Deposit	(4,199.91)	40,485.75
12/12/02	1735	SMM	1,000.00	41,485.75
12/12/02	1736	CMS Operating Loan	3,000.00	44,485.75
12/12/02	1737	She La Vie Operating Loan	400.00	44,885.75
12/12/02	1738	Legal Fees	384.68	45,270.43
12/12/02	1741	Christmas Party	650.00	45,920.43
12/12/02	1744	CMS Operating Loan	150.00	46,070.43
12/12/02	1758	Daniel Hamburg	1,055.08	47,125.51
12/13/02	1713	Payroll Taxes	11,764.38	58,889.89
12/13/02	1759	Sandie Turley Loan	3,750.00	62,639.89
12/13/02	1760	Frank Caspare Consulting Fees	4,000.00	66,639.89
12/13/02	1761	CMS Operating Loan	7,600.00	74,239.89
12/13/02	1762	Boat, Bed & Breakfast Operating Loan	7,200.00	81,439.89
12/13/02	1763	CFF Operating Loan	6,700.00	88,139.89
12/13/02	1764	SMM Operating Loan	1,200.00	89,339.89
12/15/02	1750	Mark Kessler	1,015.54	90,355.43
12/16/02	1746	Alyssa G Davis	289.25	90,644.68
12/16/02	1747	Amelia Ulep	1,239.39	91,884.07
12/16/02	1748	Helen Hartze	-	91,884.07
12/16/02	1749	Jesica Doty	808.30	92,692.37
12/16/02	1751	Mary Barton	582.96	93,275.33
12/16/02	1752	Phil Vigarino	-	93,275.33
12/16/02	1753	Rebecca Sanchez	1,539.17	94,814.50
12/16/02	1754	Sheila P. Dunning	3,694.00	98,508.50
12/16/02	1756	Susan Rutledge	1,146.63	99,655.13
12/16/02	1757	Paul J. Meka	2,531.47	102,186.60
12/16/02	1758	Phil Vigarino	2,284.16	104,470.76
12/16/02	1765	Joseph Colosimo Florida Expenses	1,111.70	105,582.46
12/16/02	1739	Christmas Party	60.00	105,642.46
12/16/02	1740	Christmas Party	300.00	105,942.46
12/16/02	1742	Christmas Party	134.95	106,077.41
12/16/02	1766	Mary Barton	310.70	106,388.11
12/16/02	1767	W+G Operating Loan	5,800.00	112,188.11
12/17/02	1768	CFF Operating Loan	7,000.00	119,188.11
12/17/02		Deposit	(215.25)	118,972.86
12/17/02	1769	CFF Loan Repayment	12,500.00	131,472.86
12/17/02	Neopost	Postage	300.00	131,772.86
12/17/02		Bank Check Charge	38.00	131,810.86
12/18/02		Deposit	(416.67)	131,394.19
12/20/02	1782	Daniel Hamburg	1,055.08	132,449.27

12/20/02		United Healthcare	390.32	132,839.59
12/20/02	1783	Az Banking Dept. Exam	1,755.00	134,594.59
12/20/02		Deposit	(160.00)	134,434.59
12/24/02	Neopost	Postage	300.00	134,734.59
12/30/02	231	Stanford Learch Interest	416.67	135,151.26
12/30/02		Deposit/3303 Meadford (Castle)	(40,000.00)	95,151.26
12/30/02	1784	Multivest Loan	40,000.00	135,151.26
12/30/02	1785	Sandie Turley Loan	3,350.00	138,501.26
12/30/02	1787	Frank Caspare Consulting Fees	4,000.00	142,501.26
12/30/02		Overdraft	(1,401.26)	141,100.00

A total of \$8,100 was advanced to WGC. The money was used by WGC to make \$6,400 interest payments to Colosimo, Abrahamson and Pisacano. The remaining \$1,700 was used to pay credit card bills. (JCS000412)

A total of \$17,200 was advanced to CFF. \$12,500 of the money was used by CFF to repay CFS for the repurchase of Lyle Phillips' interest in Roosevelt Street Trust (Castle). \$1,553.91 was paid to California Bank & Trust, a Zion Bancorp entity, on the 125 S. 52 Street property SBA loan. \$553.95 was paid for legal fees. \$1,645.49 and 706.13 respectively was paid for payroll taxes and penalties.

A total of \$2,200 was advanced to SMM and was used for payroll and taxes.

A total of \$11,900 was advanced to CMS. \$3,572.60 was used to cover an overdraft. \$2,500 was paid to Eric Strasser, CMS, COO and Secretary, as a consulting fee. \$5,000 was given to Joseph Colosimo as a loan for the Florida operations. \$813.44 was paid for office supplies, postage bank service charges and insurance.

\$400 was advanced to She La Vie, Inc. \$224.86 was used to cover an overdraft. \$100 was an ATM cash withdrawal by Larry Dunning. \$25.89 was used to pay bank service charges.

\$7,200 was advanced to Boat, Bed and Breakfast (BBB), an American National affiliate. \$47.85 was used to cover a bank overdraft. \$7,056.84 was paid to Zions Bank for Robert Rehm's monthly loan payment on the 300 East Acacia, Sedona house.

American National Mortgage Partners, LLC disbursed: \$15,000 directly to Lyle Phillips to purchase his interest in Roosevelt Street Trust (Castle); advanced \$25,000 of loan proceeds to FCG; used \$23,591.57 for payroll, health insurance and payroll taxes; paid \$12,500 to CFS for repurchase of Lyle Phillips' interest in Roosevelt Street Trust (Castle); disbursed \$4,000 for consulting fees to Frank Caspare; advanced \$6,000 of loan proceeds to Sandie Turley and paid \$8,000 for legal fees.

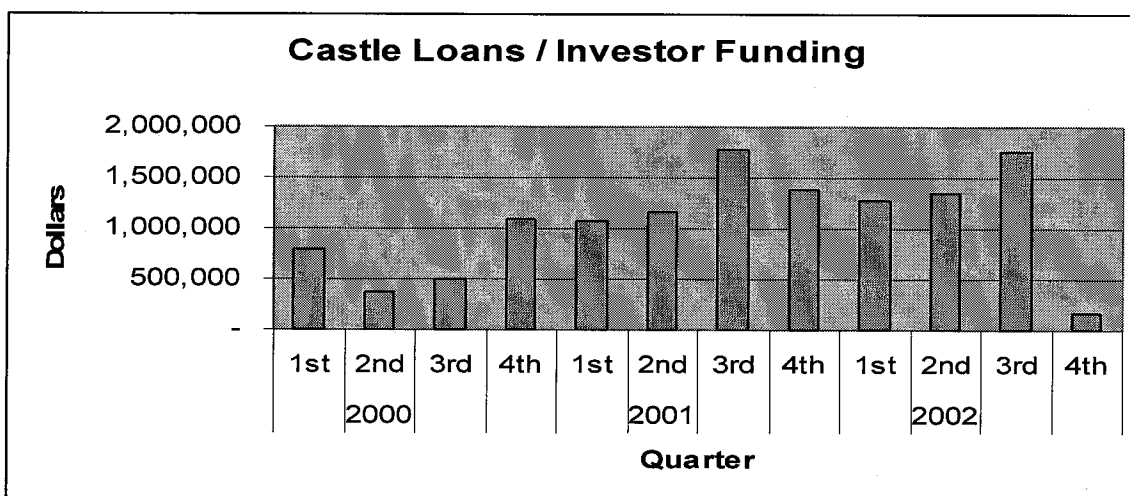
On American National's books a \$7,741.93 overdraft existed at the time the \$140,000 deposit was recorded. The overdraft was created when Check #1724 was issued to Lyle Phillips for \$15,000 for his interest in Roosevelt Street Trust (Castle).

On December 12, 2002, \$15,000 of the loan proceeds was paid toward Herb Fisher's purchase agreement. (ANM100563 & 4 and JCS000413)

On December 30, 2002, an additional \$30,000 was transferred to American National's operating account. \$2,608.67 covered the existing overdraft. \$26,000 was paid to CFF as an operating loan (Check #1789) and \$14,000 was paid to CFS as an operating loan (Check #1790). There was an over draft of \$12,608.67 as a result of these transactions. (JCS000179)

THE CASTLE MEGASTORE LOANS (CASTLE)

Commencing with the January 2000, Federal Way Trust loan to Castle for \$1,000,000, American National arranged a series of 23 overlapping investor financed loans for Castle. The last loan in the series was to Camelback Stone Canyon, LLC on September 20, 2002, for \$800,000. The cumulative total face amount of the 23 loans was \$20,099,447. The actual amount raised from investors was \$14,097,723. (ANM128471, 496, 503, 595, 601 & 602, 613, 656, 669, 673, 679, 699, 701, 744, 748, 765, 815 & 816, 821, 825- 827 and 839) Two of the loans known as Friends \$1,300,000 and MM&M \$575,000 were determined to be direct loans and outside of the American National Estate. The following chart illustrates the quarterly volume and acceleration of American National's fund raising activities for the Castle loans. The third quarter 2001 fund raising peak coincides with American National cure of Castle's default.



Throughout the first three quarters of 2002, American National continued to raise money from investors to loan to Castle. The Castle related fund raising/loan activity continued even though American National had accumulated \$1,491,020 of NSF checks from Castle. (JCS000288-91) **Although American National's Castle related fund raising activities increased in 2002 it could neither keep pace with American National's nor Castle's accelerating need for cash.**

The following schedule of Castle NSF checks illustrates their accelerating default. **American National hid Castle's default from the investors and continued to make distributions to the Castle investors through September 2002 as though Castle had not defaulted on its loans.**

Date	Check Number	Amount	Payor	Signor	Payee
4/8/2002	8034	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS
5/7/2002	8056	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8058	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8063	16,936.23	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8065	19,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8069	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8070	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8073	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8074	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8078	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8080	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8081	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8082	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8083	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/7/2002	8084	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
5/21/2002	8094	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	15047	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
6/7/2002	8111	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8112	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8113	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8114	3,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8115	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8117	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8118	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8119	3,250.00	Real Estate Holding Corp II	Taylor Coleman	Secura Fund Az
6/7/2002	8120	9,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8121	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8123	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8124	3,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8127	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8128	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8129	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8130	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8131	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8132	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8134	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8135	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8136	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8137	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8138	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/7/2002	8139	4,947.52	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/20/2002	8142	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
6/20/2002	8143	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8149	33,075.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8153	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8155	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC

7/3/2002	8156	4,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8158	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8160	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8161	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8162	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8164	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8165	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8166	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8167	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8168	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8169	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8170	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8171	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8172	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8173	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8175	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8176	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	8177	4,488.30	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/3/2002	15206	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
7/5/2002	15216	7,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
7/5/2002	8182	25,009.89	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/19/2002	8188	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
7/19/2002	8189	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	15424	22,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
8/7/2002	15425	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
8/7/2002	8202	24,191.97	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8203	3,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8204	10,500.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8206	9,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8207	3,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8208	4,987.50	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8209	8,373.53	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8210	3,250.00	Real Estate Holding Corp II	Taylor Coleman	Secura Fund Az
8/7/2002	8211	7,280.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8212	2,025.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8213	6,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8214	32,625.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8216	16,936.21	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8217	46,023.66	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8218	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8219	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8220	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8221	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8222	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8223	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8224	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8225	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8226	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC

8/7/2002	8227	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8228	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8229	10,000.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/7/2002	8230	11,136.84	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/21/2002	8233	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
8/21/2002	8234	6,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
9/6/2002	15590	22,500.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
9/6/2002	15591	7,680.00	Castle Megastore Corp.	Taylor Coleman	ANMP LLC
9/6/2002	8244	16,936.21	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8245	32,625.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8247	2,025.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8248	7,280.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8249	3,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8250	6,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8251	4,987.50	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8250	24,191.97	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8253	9,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8254	8,373.53	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8255	10,500.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8257	66,071.59	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8258	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8259	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8260	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8261	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8262	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8263	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8264	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8265	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8266	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8267	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8268	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8269	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/6/2002	8270	8,861.84	Real Estate Holding Corp II	Taylor Coleman	CFF LLC
9/19/2002	8275	8,250.00	Real Estate Holding Corp II	Taylor Coleman	ANMP LLC
9/19/2002	8276	6,250.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8289	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8290	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8291	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8292	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8293	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8294	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8295	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8296	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8297	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8298	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8299	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8300	10,000.00	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.
10/7/2002	8301	8,861.84	Real Estate Holding Corp II	Taylor Coleman	CFS Inc.